



# Susan Montee, JD, CPA MISSOURI STATE AUDITOR



[Home](#) [Audit Reports](#) [Subscribe](#) [About Us](#) [Employment](#) [Fiscal Notes](#) [Bond Registration](#)  
[Contact Us](#) [Property Tax Forms](#) [Local Government](#) [Media Information](#) [State Home Page](#)



## Fiscal Notes Prepared by the Missouri State Auditor's Office in 2007

<u>Fiscal Note Number</u>	<u>Date Received</u>	<u>Fiscal Note Description</u>	<u>Date Submitted to Secretary of State</u>
07-01	02/01/07	<a href="#">Proposed Constitutional Initiative Petition - Eminent Domain</a>	03/06/07
07-02	02/01/07	<a href="#">Proposed Constitutional Initiative Petition - Eminent Domain</a>	03/06/07
07-03	03/28/07	Proposed Constitutional Initiative Petition - Taxation	Withdrawn by Petitioner
07-04	04/09/07	Proposed Statutory Initiative Petition - Liquor Control Law	Withdrawn by Petitioner
07-05	04/12/07	<a href="#">Proposed Constitutional Initiative Petition - Taxation</a>	05/10/07
07-06	04/18/07	<a href="#">Proposed Statutory Initiative Petition - Liquor Control Law</a>	05/18/07
07-07	05/22/07	<a href="#">Proposed Statutory Initiative Petition - Liquor Control Law</a>	06/12/07
07-08	05/25/07	Referendum Petition for SB 389 - Higher Education	Withdrawn by Petitioner
07-09	06/06/07	<a href="#">House Joint Resolution No. 7 - Official Language</a>	06/26/07
07-10	06/08/07	Proposed Constitutional Initiative Petition - Civil Rights	Withdrawn by Petitioner
07-11	06/15/07	<a href="#">Proposed Constitutional Initiative Petition - Civil Rights</a>	07/16/07
07-12	07/13/07	Proposed Constitutional Initiative Petition - Paper Ballots	Withdrawn by Petitioner
07-13	07/31/07	<a href="#">Proposed Constitutional Initiative Petition - Paper Ballots</a>	08/27/07
07-14	08/22/07	Proposed Constitutional Initiative Petition - Related to Cloning	Withdrawn by Petitioner
07-15	08/30/07	Proposed Constitutional Initiative Petition - Related to Cloning	Withdrawn by Petitioner
07-16	09/05/07	<a href="#">Proposed Constitutional Initiative Petition - Related to Cloning</a>	10/09/07
07-17	10/10/07	Proposal to Abolish the Division of Fire Safety	Rejected by Sec of State

07-18	10/24/07	Proposed Statutory Initiative Petition - Abortion Civil Actions	Withdrawn by Petitioner
07-19	11/06/07	<a href="#">Proposed Statutory Initiative Petition - Abortion Civil Actions</a>	12/06/07
07-20	11/21/07	<a href="#">Proposed Statutory Initiative Petition - Healthcare Restoration</a>	12/18/07
07-21	12/26/07	Proposed Statutory Initiative Petition - The Schools First Elementary and Secondary Education Funding Initiative	Withdrawn by Petitioner



**For viewing full audit reports, please download the Acrobat Reader.**

[Top of Page](#) [Contact Us](#) [Privacy Policy](#) [Links](#)

**MISSOURI STATE AUDITOR'S OFFICE**  
**FISCAL NOTE (07-01)**

**Subject**

Initiative petition from Ron Calzone regarding a proposed constitutional amendment for Article I, Sections 26 and 28, relating to eminent domain. (Received February 1, 2007)

**Date**

February 21, 2007

**Description**

This initiative petition would amend Article I of the Missouri Constitution by modifying Sections 26 and 28. Section 26 would be amended to vest the power of eminent domain in no other than the state, or political subdivisions of the state whose officials are directly responsible to elected officials, and that private property, or the right to the use, sale or enjoyment of private property, shall not be directly or indirectly taken or damaged unless such taking is necessary for a public use and just compensation is rendered.

The value of the property may be determined by appraisal methods typical to the ordinary course of business and any evidence which would be considered by an appraiser in the ordinary course of business shall be relevant and admissible. Until a final legal determination of the legitimacy of the taking is established and until compensation is paid to the owner, the property shall not be disturbed or the proprietary rights of the owner therein divested.

Section 28 would be amended so that private property taken for private use or private ownership or other private rights shall not be considered a public use and no such takings shall occur, with or without compensation, unless by consent of the owner.

The use for property, or rights in property, shall be declared at the time that such property, or rights in property is taken by eminent domain. If that use is not earnestly or substantially pursued, the original owner, his heirs or assigns shall, after five years but prior to any substantial accomplishment of the declared purpose, be allowed to claim the property back at a price no greater than was paid at the time of taking.

Subject to Section 26, property may be taken for transportation or utility facilities or transmission systems used by a railroad, regulated utility or rural electric cooperative, however the fee of property taken for such purposes without consent of the owner shall remain in such owner subject to the use for which it is taken.

Property, a portion thereof, or rights in property taken by eminent domain can not be sold, transferred, leased or otherwise made available for use by a private entity within 20 years of such taking, unless the owner have at the time of sale been afforded the first opportunity to purchase such property back at a price no greater than was paid at the time of taking, however interests less than fee title may be conveyed to a privately owned business for the purpose of providing products or services incidental to the function of a publicly owned facility.

The amendment is to be voted on in November, 2008. The effective date of this amendment shall be November 5, 2008 and the provisions of Article I, sections 26 and 28 apply notwithstanding any application to the contrary of Article VI, Section 21 of the constitution.

### **Public comments and other input**

The State Auditor's Office requested input from the **Department of Economic Development, the Governor's Office/Office of Administration, the Department of Conservation, the Department of Natural Resources, the State Tax Commission, the Department of Transportation, Cole County, Greene County, Jackson County, St. Louis County, the City of Kirkwood, the City of Kansas City, the City of St. Louis, the City of Gladstone, and the City of Columbia.**

### **Assumptions**

According to officials from the **Department of Economic Development**, the petition will have no direct administrative or fiscal impact. Indirectly, this change to the constitution could severely limit economic development within Missouri and the use of tax incentive programs administered by the DED that attract jobs and investment to the state.

According to officials with the **Governor's Office/Office of Administration**, this amendment will restrict the use of eminent domain and vest that power in no one other than the state or political subdivisions whose officials are responsible to elected officials. New language in the amendment makes it clear that any property taken or damaged must be necessary for public use and only after just compensation has been rendered. Only after such a decision has been made by legal determination can the property be disturbed. The proposed amendment prohibits the taking of property for private ownership or other private rights; neither shall be considered a public use. The amendment mandates that the intended use for the property be declared at the time such property is taken and allows the original owner, his heirs, or assigns the right to reclaim the property after a period of time if that purpose has not been pursued. The amendment allows the taking of property for certain utility, transportation or railroad uses, however if that land right is taken without the consent of the owner, the owner

retains all inheritable rights in that property. The amendment prohibits the sale, transfer or lease of property taken by eminent domain for use by a private entity within twenty years of such taking unless the original owner, his heirs, or assigns been afforded the first opportunity to purchase the property back. It appears this proposal will have no fiscal impact to the State of Missouri.

According to officials at the **Department of Conservation**, there is a potential fiscal impact to the Conservation Department in Section 26. As proposed, this language could be considered in conflict with Article IV, Section 41, which grants eminent domain powers to the Conservation Commission. The proposed section limits the use of eminent domain to "...political subdivisions of the state whose officials are directly responsible to elected officials..." Should one conclude that a Conservation Commission whose members are nominated by the Governor and confirmed by the Senate are not "directly responsible to elected officials," then Section 26, as a later enacted provision, could impact the Commission's ability to exercise eminent domain. This could affect the price of future hypothetical land transactions. The caveat is that the Commission does not utilize this power in the course of business.

The **Department of Natural Resources** does not anticipate a direct fiscal impact as a result of this proposal.

Officials from the **State Tax Commission** indicated the initiative petition would have no fiscal impact on their agency or county assessors.

According to officials from the **Missouri Highway and Transportation Commission (MHTC)/Missouri Department of Transportation (MoDOT)**, Section 26 prohibits the direct or indirect taking or damage of private property without payment of just compensation. By adding the word "indirectly" to the concept of a taking of property, the initiative petition would allow the concepts of loss of traffic and loss of visibility from a public highway, for example, to be viewed as separately compensable items for damage claims in inverse condemnation against MHTC. This language is likely to have a significant unknown negative fiscal impact on MHTC/MoDOT.

Section 26 also changes the way property is to be valued for just compensation arising from a condemnation proceeding. Under this initiative petition, the value of the property to be taken by eminent domain shall be determined by appraisal methods typical to acquiring a property through business acquisitions and any evidence that would be considered by an appraiser in the ordinary course of business is relevant and admissible.

Under existing condemnation law, when a condemning entity condemns property, it is only purchasing the land itself, not any appurtenances on the land. This is because the business owners may move their business to a new location and continue in business.

This language will also have a significant, negative unknown fiscal impact on MHTC and MoDOT.

Section 26 is amended to provide that no property shall be divested from the landowner until a final determination of any legal challenges is made. Appellate courts have typically recognized a very limited number of legal challenges against a condemnation petition: (1) fraud; (2) bad faith; or (3) arbitrary and unwarranted abuse of discretion. By allowing any legal challenge to the condemnation petition, this significantly alters the number and types of challenges to a condemnor's petition to condemn, which will significantly delay the acquisition of property for MHTC's state highway system construction program. Delay of the projects results in a negative fiscal impact, loss of safety benefits from constructing such projects on time, as well as the additional inflation costs for the construction project that arise through such delays.

Section 28 of this initiative petition establishes the general principle that a condemning authority cannot take private property for use by a private party because such a taking is not considered to be a public use. This would eliminate the innovative transportation financing solutions such as Transportation Corporations and public private partnerships.

There is no exception to the private use prohibition for transportation projects, except as it relates to railroads and regulated utilities. Therefore, private property could not be acquired by MHTC and later transferred, even by lease, to a private person for a public use. This provision would result in a negative unknown fiscal impact on MoDOT.

Section 28 also allows the private property owner to reclaim the property acquired by eminent domain five years after the taking for the amount paid by the condemnor if the purpose for which the property was acquired is not substantially accomplished in that time. This language would repeal existing Section 226.955, RSMo, which authorizes a ten-year construction initiation time limit on MHTC corridor acquisitions. This provision would significantly undermine MHTC's authority to do long-range planning and acquire property within a designated highway corridor in advance of design and construction because of the five year time frame to substantially accomplish the project. This language will also have a significant, negative unknown fiscal impact on MHTC and MoDOT.

All of the above provisions would have a negative fiscal impact. MoDOT is unable to provide an estimate, therefore the negative fiscal impact due to this initiative petition is unknown greater than \$100,000.

The **City of Kansas City** indicated that no increase in revenues or savings will be experienced by this amendment. The City will incur increased land costs in that if a landowner knew that for a redevelopment project that would eventually be

privately owned there were no powers of condemnation, the City would lose bargaining power and would have to overpay for land.

In addition, the City of Kansas City will incur losses pursuant to this amendment, though those losses are hard to quantify at this time. This amendment would make it impossible for a city in Missouri to condemn land for purely economic purposes, whether the land in question was blighted or not. If that were the case, typical “Downtown” type large-scale development would cease. The City has projects already underway on which it has or will have assembled land and will need to condemn part of the assembly. The losses would be of several types; first if it can not complete the assembly at all it will have to descope, rescope or cancel the project. The professional (architect, designer, surveyor, appraisal) fees incurred would be lost. Also lost would be the acquisition costs of land assembled but the City no longer had a use for, in the case of a cancelled project. Second, the economic impact of not being able to do any more of these projects would have a huge financial impact on the City. It is again hard to quantify but the difference between having a revived downtown or other area or not having the redevelopment would be many millions of dollars.

The **City of St. Louis** indicated the initiative petition would result in significant increases in cost and significant amounts of lost revenue to the City.

The initiative petition proposes changes to Article I, Sections 26 and 28, that would prohibit the use of eminent domain for redevelopment by providing that: (a) only public entities can acquire property using eminent domain; (b) no private ownership or other private rights shall be considered a public use; (c) the future use must be declared at the time of acquisition and cannot be changed; and (d) the public entity that acquired the property via eminent domain cannot transfer such property to private ownership any sooner than twenty (20) years following the acquisition. Section 5 of the proposed amendment to Article I, Section 28, also appears to change Article VI, Section 21, by effectively stripping out the ability of local governments to use eminent domain for redevelopment that involves private entities through a provision that states that the proposed revisions to Article I, Sections 26 and 28, limit the application of Article VI, Section 21. These proposed changes will result in both extreme costs and extreme loss of revenue to the City.

The City uses eminent domain sparingly. But it is a very important tool that is vital in their efforts to overcome hundreds of acres of blight caused by five decades of suburban flight.

In 1950, the City had 850,000 people—today, they have just over 350,000. As a result of this population loss, there are now thousands of vacant lots and structures in the City of St. Louis. As a result of this population loss, many former residences and businesses have now become vacant buildings and vacant lots. Many of these vacant properties have fallen into City ownership by default—

when the private owner did not pay property tax due, the property was placed in a tax foreclosure sale, and if a private party did not bid on the property its ownership was transferred to the Land Reutilization Authority. Redeveloping this decay would be easy if all of the properties were side by side—and if all of the vacant buildings and lots were owned by the City. In fact, they are not. The City-owned properties are scattered among many properties in the hands of private owners. Too many of these privately held properties are also blighted, making it very difficult—and in some cases nearly impossible—to redevelop these run-down areas. The vast majority of privately owned vacant buildings and lots are not maintained by their private owners.

What is the result? Some of the City of St. Louis' neighborhoods are the best in the State of Missouri. But, others are plagued by poverty, poor infrastructure, and violence.

The City of St. Louis has made great progress in turning some of these neighborhoods around. But, it would not have happened without the possible use of eminent domain. Other neighborhoods waiting to be redeveloped will remain blighted if developers do not know at the beginning of a project that they will be able to complete it.

Eminent domain is needed to eradicate the vacant, abandoned, dangerous and problem properties that were left behind when half a million people left the City of St. Louis. Private participation in the redevelopment process is necessary because the City does not have the resources to acquire the thousands of problem properties in the City, eliminate the problematic conditions, and hold the property for twenty (20) years. These properties were never used for governmental purposes and were not intended for governmental use. The City does not wish to—and cannot afford to—use public funds and eminent domain to purchase these properties, use public funds to redevelop them—and then own them and operate them for what are essentially private business and residential purposes for a twenty-year period. As provided in the proposed amendment, the City will not even be able to enlist the assistance of private enterprise in the operation of the properties or to realize any income from the property to offset the expense of acquiring and redeveloping it for the twenty-year period, because the proposed amendment prohibits the property from being “sold, leased, transferred, or otherwise made available for use by a private party within 20 years of such taking.” Private redevelopment and ownership will allow the City to rebuild its tax base; public ownership for a twenty-year period, on the other hand, will cost the City millions upon millions of dollars and result a veritable wasteland for two decades since it will not be possible for the City to use the property in any manner that allows the City to recoup even a portion of its investment—if it were even possible for the City to make the investment in the first place. Since City funds are not available, it will not possible to address these conditions with the limited and weak mechanisms that will remain if the amendment passes. Thus, the proposed amendment would sentence the City to another five—and more—



decades of decline, disinvestment and population loss as people and businesses again leave the City because they cannot tolerate negative conditions that the City is powerless to change. The City needs to rebuild the market for City real estate and rebuild its tax base in the process—the proposed amendment would make it impossible for the City to do this.

Even more important, the amendment will make it impossible for the City to address the redevelopment of blighted areas in a manner that returns these areas to productive uses that generate tax revenues for the City and the State of Missouri. The redevelopment of blighted areas necessarily involves the participation of the private sector, which the amendment would prohibit for a twenty-year period. Developments like CORTEX, the new Pinnacle entertainment development, and Botanical Heights would no longer be possible—and it may not even be possible to complete those major developments that are already underway. It is critical that the City retain the ability to address blighted areas and to partner with private enterprise for the redevelopment of these blighted areas—the City cannot address the distress that currently exists in the City using public funds alone. The reason they need redevelopment is because their tax base has eroded over the past fifty years. The City cannot reconstruct their tax base without the ability to address blighted areas, and they cannot reconstruct our tax base without partnerships with private enterprise. The proposed amendment would prohibit partnerships with private enterprise in redevelopment.

If the City is forced to address its distressed areas by using City funds and twenty-year City ownership to cure the distress, before having the ability to acquire and sell the property to responsible owners, the result will be a significant additional cost to the City of St. Louis, as detailed in the attachments below. Further, since the City cannot possibly afford this cost, estimated at over \$40 million per year, the vast majority of these distressed areas will remain distressed. The proposed amendment would render the City powerless to arrest the decline that has occurred over the past five decades, and set the stage for greater decline in the future as the proposed amendment rewards speculators, slumlords and predatory land owners for their irresponsible behavior by eliminating one of the few effective tools for addressing the problems they cause.

Over the years, the City has also come to own many properties in distressed areas due to property tax and other lien foreclosures—this is but one symptom of areawide distress. Many of the distressed properties in the City remain in private ownership, even though they are for all practical purposes abandoned, because their owners pay minimal property taxes and weed and trash removal liens. Approximately 3,700 vacant buildings and 10,000 vacant lots remain in private ownership. This private ownership of abandoned property causes problems for both neighboring residents and businesses and the City and impairs the City's ability to heal itself after five decades of decay.

In addition, redevelopment of both publicly owned and privately owned vacant properties is seldom feasible without the ability to combine those parcels with other blighted property for redevelopment, since most of the City was originally platted in 25-foot frontage increments. Today, a 25-foot lot is virtually useless for any purpose, residential or commercial. The proposed amendment would render the City unable to engage in redevelopment of these properties unless the City used public funds to do so. As detailed in the attachments, they estimate that this inability to engage in redevelopment would cost the City more than \$40 million annually in lost future revenues, in addition to the \$40 million in additional City costs the City would incur in direct City funding of redevelopment activities directed towards alleviation of nuisance and problem properties.

The analysis in Attachment B provides detail on the types of costs the City would incur and the types of revenue losses the City would suffer if the amendment were to become law. Given the complexity of the issue and the amount of time available to provide this fiscal note, these figures are necessarily estimates. They believe, however, that the methodology described in Attachment B provides a reasonably accurate assessment of the fiscal impact to the City of St. Louis related to the impacts analyzed. In addition, in the interest of time, the attached assessment does not include each and every fiscal impact on the City—there are others which could be detailed if more time were available. The attached chart (Attachment A) summarizes the results of the methodologies applied in Attachment B and the estimated fiscal impact of the constitutional amendment.

As noted on the chart in Attachment A, they estimate that the total negative fiscal impact of the proposed Constitutional Amendment on the City of St. Louis is in excess of (\$80 million) annually, and in excess of (\$900 million) over a ten-year period. In addition, the amendment would produce a related negative fiscal impact on responsible private property owners whose property values suffer because of blight, absentee landlords, and predatory land owners.

**ATTACHMENT A**  
**SUMMARY OF FISCAL IMPACT ESTIMATE:**  
**EMINENT DOMAIN INITIATIVE PETITION**  
**(Estimate Details Provided on Exhibit B)**

**CITY OF ST. LOUIS**

<b>COST OR LOST REVENUE ITEM:</b>	<b>ANNUAL COST/REVENUE LOSS:</b>	<b>10-YEAR COST/REVENUE LOSS--2.5% INFLATION:</b>	<b>NOTES:</b>
<b>ESTIMATED CITY NEW/CONTINUING COSTS:</b>			
Nuisance Identification/Abatement Management:	(\$2,020,500)	(\$22,636,433)	
Nuisance Eradication by:			
--City-Funded Repair:	(\$24,079,500)	(\$269,771,831)	
--Demolition:	(\$1,687,950)	(\$18,910,748)	
--Weed Cutting/Debris Removal:	(\$12,600,000)	(\$90,014,744)	10-year cost reduced by vacant lots assumed redeveloped
<b>ESTIMATED CITY NEW/CONTINUING REVENUE LOSSES:</b>			
Property tax impact--negative impact of vacant/vandalized privately owned properties on adjoining properties:	(\$4,109,007)	(\$46,034,772)	
Property tax impact--inability to make property available for private rehabilitation:	(\$1,551,657)	(\$17,383,810)	
Building permit revenue--inability to make available for private rehabilitation:	(\$192,636)	(\$1,926,360)	Assumes no inflation
Lost sales tax revenue--inability to develop commercially:	(\$24,083,188)	(\$269,813,151)	
Lost earnings/payroll tax revenue--inability to develop commercially:	(\$3,178,981)	(\$35,615,336)	
Lost real property tax--inability to develop commercially:	(\$7,125,840)	(\$79,833,500)	
<b>TOTALS:</b>	<b>(\$80,629,259)</b>	<b>(\$932,569,945)</b>	

**ATTACHMENT B**  
**DETAIL AND METHODOLOGY OF FISCAL IMPACT ESTIMATE:**  
**EMINENT DOMAIN INITIATIVE PETITION**

**CITY OF ST. LOUIS**

***PROBLEM/NUISANCE PROPERTIES—DIRECT CITY COSTS***

Most neighborhoods in the City of St. Louis have problem properties. The majority of these properties are privately owned—problems associated with the properties include criminal behavior, excessive trash and noise, collapsing walls, missing windows, open to the elements and to trespass, unsightly conditions, and a host of other issues. These properties plague responsible neighborhood residents and have serious negative impact on residential and business quality of life. While some portion of these problem properties may fall into City ownership due to property tax delinquency, the majority of them will need to be addressed in another manner, because owners continue to pay minimal property tax and retain ownership of these problem properties. The only manner in which many of these properties can be addressed is ultimately via eminent domain, which the proposed amendment eliminates as a redevelopment tool by providing that any property acquired by the City using eminent domain cannot be “sold, leased, transferred, or otherwise made available for use by a private party” for a twenty-year period after the acquisition. The following analysis assumes that the City can in fact acquire the properties and alleviate the problematic conditions and hold them for a twenty-year period, even though this will not be possible in a practical sense, and attempts to calculate the cost. If these properties cannot be addressed with eminent domain and private redevelopment, actions currently undertaken to address problem/nuisance properties will (a) need to continue for the foreseeable future; (b) will need to be multiplied to address all rather than just some of the problems; (c) the City will need to add new staff to carry out the nuisance eradication work and management of the properties. The analysis below does not calculate the additional loss of revenue the City will face as more people and business leave the City because the City is powerless to address their problem and nuisance property concerns, nor does it assume that the City will acquire the properties using eminent domain and hold them for twenty years—it assumes that the proposed amendment effectively eliminates eminent domain as a tool for dealing with problem properties, which is clearly the intent of the amendment. If eminent domain were used and the City were required to hold and operate the properties for a 20-year period, the costs would be far greater than the costs estimated below.

**NUISANCE ERADICATION IDENTIFICATION AND MANAGEMENT:**

**Explanation:** The following analysis estimates the cost of the new staff the City will need to put in place to identify problem properties and manage the eradication of the problems without the use of eminent domain and private redevelopment. This analysis assumes that 10% of the estimated nuisances that exist today will be eradicated each year.

**Cost items:**

▪ Current cost of problem properties task force:	\$342,000
▪ Cost of police officer to serve warrants:	\$60,000
▪ Cost to quadruple problem properties task force:	\$1,206,000
▪ Cost of staff to manage eradication of 588 nuisances per year (10% of estimated total):	\$412,500
<b>TOTAL ANNUAL COST:</b>	<b>\$2,020,500</b>
<b>10-YEAR COST, assuming 2.5% annual inflation:</b>	<b>\$22,636,433</b>

**NUISANCE ERADICATION BY REPAIR:**

**Explanation:** Occupied privately owned problem properties where owners cannot be induced to make repairs via prosecution will require nuisance eradication by City-funded repair—and it will not be practical or in many cases legal to evict the occupants in order to eradicate the nuisance. The estimated number of such nuisances is 4,000. Further, it will be necessary for the City to rehabilitate some vacant privately owned properties, either because the property is located in an historic district or because the legal risks associated with demolition are too great to risk demolition at a lower cost.

**Cost items:**

▪ # of occupied building nuisances abated by City:	400
▪ # of vacant building nuisances abated by City w/repair:	188
▪ Additional cost to abate occupied building nuisances:	\$8,000,000
▪ Additional cost to abate vacant building nuisances:	\$18,800,000
<b>TOTAL ANNUAL COST:</b>	<b>\$26,800,000</b>
<b>LESS: 10% Recovered Costs through Lien Foreclosures:</b>	<b>(\$2,680,000)</b>
<b>TOTAL ANNUAL COST LESS RECOVERED COSTS:</b>	<b>\$24,120,000</b>
<b>10-YEAR COST, assuming 2.5% annual inflation:</b>	<b>\$269,772,000</b>

**NUISANCE ERADICATION BY DEMOLITION:**

**Explanation:** The above analysis assumes that 50% of privately owned vacant nuisance buildings can and should be rehabilitated, and that the remaining 50% require demolition. Often privately owned vacant buildings problem properties fall into such disrepair that the only mechanism for addressing the problem is demolishing the structure on the property. If these properties cannot be addressed by eminent domain before such time as demolition is inevitable, the City will be forced to continue to spend City funds to demolish the properties. While some of the cost of demolition is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost.

**Cost items:**

▪ Annual cost to demolish privately owned vacant buildings @ \$10,000/building:	\$1,880,000
<b>LESS: 10% recovered cost:</b>	<b>(\$188,000)</b>
<b>TOTAL ANNUAL COST LESS RECOVERED COSTS:</b>	<b>\$1,688,000</b>
<b>10-YEAR COST, assuming 2.5% annual inflation:</b>	<b>\$18,910,000</b>

## NUISANCE ERADICATION BY WEED CUTTING & DEBRIS REMOVAL:

**Explanation:** Many privately owned problem properties are vacant; other privately owned properties have improvements but are abandoned—e.g., the owner does nothing to maintain the property. In both of these situations, City funds must be spent to remove unsightly conditions from the property so that the properties cause the least amount of harm to other properties on the block. While some of the cost of is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost. No deduction is made in this category for parcels acquired via property tax foreclosure, since once the property and the neighborhood deteriorate due to irresponsible property ownership it takes a long period of time for the property to be placed into productive use and the City must still maintain the property in the meantime to the best of the City's ability. Unlike the cost to abate nuisances, these costs cannot be spread over a number of years—maintenance must be performed annually. If liens are imposed and foreclosed upon, in most instances the private owner will not pay off the liens—thus, the property falls by default into public ownership and the City will be still responsible for maintaining the property on an ongoing basis, unless and until the City can sell the property to another private owner.

### Cost items:

- Annual cost of weed/trash removal on vacant lots—10,000 lots x 70% x 8 events/year x \$250/event: **\$14,000,000**

**LESS: 10% recovered cost:** **(\$1,400,000)**

**TOTAL ANNUAL COST:** **\$12,600,000**

**10-YEAR COST, assuming 2.5% annual inflation and assuming  
10% of properties sold to private owners each year:** **\$90,014,000**

### *LOST REVENUES*

## NEGATIVE IMPACT ON ADJOINING PROPERTIES:

**Explanation:** Vacant and abandoned properties drive down the value of other properties located on the same block. The abandonment of a property is visible signal that its owners do not care about it to other owners on the block and to those who otherwise might be interested in purchasing property on the block. The City receives a high volume of complaints each year about vacant and vandalized privately owned properties. In 2005, according to the City's vacant building survey, the City had 3,751 privately owned residential vacant and vandalized buildings located on approximately 1,631 City blocks—the number of vacant and vandalized properties per block ranged from 1 to 16. The City must be able to take these properties out of the hands of irresponsible owners who care nothing about the surrounding neighborhoods. If the City cannot do so, the City and other taxing jurisdictions will suffer from the negative impact of these problem properties on other properties forever, with no way to take back neighborhoods from owners that wreak havoc on our neighborhoods and responsible neighbors' lives. Assuming that each City block with one or more abandoned property reduces the value of other properties on the block by 10% (believed to be a conservative number in blocks that are plagued with more than one vacant and vandalized property), the cost to the City and other taxing jurisdictions in

property taxes and the cost to adjacent owners in reduced property values are calculated below. No deduction is made in this category for parcels acquired via property tax or nuisance eradication lien foreclosure because the damage to neighboring property values has already been done by the time the City acquires the property through tax or nuisance eradication lien foreclosure. With eminent domain, the City has the ability (assuming funding is available) to acquire the property before damage to neighboring property values becomes irreversible.

▪ Total # of City blocks (approximate):	5,800
▪ Total # of parcels:	141,081
▪ Average parcels/city block:	24.32
▪ City blocks w/vacant & vandalized buildings:	1,631
▪ <b>Parcels negatively impacted by vacant buildings:</b>	<b>39,673</b>
▪ Average assessed value/residential parcel:	\$14,796
▪ Total value parcels with vacant buildings on block:	\$586,896,952
▪ Estimated 10% negative assessed value impact due to vacant buildings:	(\$58,689,695)

**EST. NEGATIVE ANNUAL TAX IMPACT—**

**\$7/\$100 ASSESSED VALUE:** (\$4,109,007)

**10-YEAR IMPACT, assuming 2.5% annual inflation:** (\$46,034,772)

In addition, nuisances hurt adjacent property owners by negatively impacting the value of the adjacent owners' property. This hurts owners by impairing their ability to sell or borrow against the property at a higher value.

**NEGATIVE IMPACT ON MARKET VALUE OF  
NON-VACANT PRIVATELY OWNED  
PROPERTIES (ASSESSED VALUE/19%):**

**(\$308,947,879)**

**LOST REVENUES DUE TO LACK OF PROPERTY IMPROVEMENT BY PRIVATE PARTIES:**

**Explanation—Vacant Building Rehabilitation:** In addition to the loss of property tax associated with negative impacts on surrounding non-vacant properties, the fact that owners allow vacant and vandalized properties to deteriorate also costs the City and other taxing jurisdictions in lost tax revenue. When privately owned formerly abandoned or vacant properties are redeveloped as private property, these properties add growth to the City's tax base above and beyond the growth permitted by the Hancock Amendment. In addition, it is not reasonable to expect that the City itself would rehabilitate and occupy these properties that were formerly occupied by private parties—if the City were required to rehabilitate and occupy the properties forever, it would cost the City significant amounts of money to rehabilitate the properties, as described above, and to maintain the properties in the event that private parties do not purchase them. Further, if the City rather than private parties rehabilitates and occupies the properties (as is required by the amendment—the City cannot take the property by eminent domain and sell it to a private owner for rehabilitation), the City will lose revenue that it would otherwise collect due to fees on improvement costs. The following factors are used below to calculate the loss of

tax revenues associated with the fact that the City will be unable to encourage property improvement and tax base growth if the amendment is passed:

#### **Lost Property Tax Revenue—Lack of Vacant Building Rehabilitation:**

▪ Average assessed value of privately owned vacant/vandalized building:	\$7,181
▪ Low end of average sales price for rehabilitated rehabilitated residential property:	\$100,000
▪ Low end of average assessed value for rehabilitated residential property @ 19%:	\$19,000
▪ Value lost due to inability to make available for private rehabilitation:	\$11,819
▪ 50% if of privately owned vacant buildings rehabilitated:	1,876
<b>EST. NEGATIVE ANNUAL TAX IMPACT—</b>	
<b>\$7/\$100 ASSESSED VALUE:</b>	<b>(\$2,216,653)</b>
<b>LESS: 15% to City ownership via property tax foreclosure:</b>	<b>\$332,500</b>
<b>LESS: 15% redeveloped for commercial use:</b>	<b>\$332,500</b>
<b>TOTAL ANNUAL PROPERTY TAX IMPACT:</b>	<b>(\$1,551,657)</b>
<b>10-YEAR IMPACT, assuming 2.5% annual inflation:</b>	<b>(\$17,383,810)</b>

#### **Lost Building Permit Fee Revenue—City Rehabilitation:**

▪ # of privately owned vacant buildings to be rehabilitated:	1,876
Approximate average cost of rehabilitation:	\$100,000
▪ Building Permit fee rate:	\$9/\$1,000
▪ Building permit fees lost:	(\$1,688,000)
▪ # of privately owned occupied buildings to be abated:	4,000
Approximate average cost of rehabilitation:	\$20,000
▪ Building Permit fee rate:	\$9/\$1,000
▪ Building permit fees lost:	(\$720,000)
<b>TOTAL LOST BUILDING PERMIT FEE REVENUE:</b>	<b>(\$2,408,000)</b>
<b>LESS: 20% Private owner compliance:</b>	<b>\$481,590</b>
<b>NEGATIVE IMPACT:</b>	<b>(\$1,926,410)</b>
<b>ANNUAL COST—ASSUME 10% PER YEAR:</b>	<b>(\$192,641)</b>

**Explanation—Lost Revenue due to Lack of Vacant Land Redevelopment:** Many privately owned City properties are vacant lots where the improvements have been demolished, either by the City or by the private owner. These vacant lots are scabs on otherwise intact neighborhoods. In many city neighborhoods, these vacant lots outnumber parcels with improvements. In many cases, the vacant parcels, 25' wide, are flanked by other vacant properties owned by multiple owners. The City's inability to use eminent domain to assemble these vacant lots and abandoned properties and return them to productive use will result in significant lost revenues—sales tax revenues, property tax revenues and payroll/earnings tax revenues. In addition, the development of new retail and other facilities is essential to preserving the City's existing population and encouraging new residents to locate in the City. Such development is currently occurring in the



City but will come to a halt if the amendment passes. The following factors are used below to calculate the loss of tax revenues associated with the fact that the City will be unable to encourage commercial redevelopment of abandoned property and tax base growth if the amendment is passed:

▪ # of privately owned vacant lots in City—2005:	10,131
▪ Average area of 1 vacant lot—sq. ft:	7,955
▪ Total vacant lot area:	80,592,105
▪ Assume additional 50% City-owned lots that cannot be developed w/o adjacent privately owned vacant lots:	40,296,052
▪ Total developable vacant lot area:	120,888,157
▪ Assume 1/8 of vacant lot area could be redeveloped as commercial:	15,111,019
▪ Assumed building/lot coverage for commercial development:	25%.
▪ Total area of retail not developed:	3,777,755
▪ Average retail sales/sq. ft.:	\$300
▪ Average annual City sales tax:	2.5%
<b>ANNUAL LOST SALES TAX REVENUE:</b>	<b>(\$28,333,000)</b>
<b>LESS: 15% to City ownership property tax foreclosure/other:</b>	<b>\$4,249,974</b>
<b>TOTAL ANNUAL SALES TAX REVENUE:</b>	<b>(\$24,083,000)</b>
<b>10-YEAR IMPACT, assuming 2.5% annual inflation:</b>	<b>(\$269,813,151)</b>
▪ Average jobs/1,000 sq. ft. commercial:	3
▪ Total commercial jobs:	11,333
▪ Average salary/retail job:	\$22,000
▪ Estimated payroll:	
<b>ANNUAL LOST CITY PAYROLL/EARNINGS TAX @ 1.5%:</b>	<b>(\$3,739,977)</b>
<b>LESS: 15% to City ownership—property tax foreclosure/other:</b>	<b>\$560,997</b>
<b>TOTAL ANNUAL PAYROLL/EARNINGS TAX REVENUE:</b>	<b>(\$3,178,981)</b>
<b>10-YEAR IMPACT, assuming 2.5% annual inflation:</b>	<b>(\$35,615,336)</b>
▪ Average assessed value/private owned vacant parcel:	\$3,291
▪ Average assessed value commercial non-vacant parcel:	\$54,386
▪ Difference in assessed value—vacant/non-vacant:	\$51,095
▪ Total privately owned vacant parcels:	10,131
▪ Assume additional 50% City-owned parcels hat cannot be developed w/o adjacent privately owned vacant lots:	5,065
▪ Total parcels unable to be developed:	15,196
▪ Assume 1/8 of vacant lot area could be redeveloped as commercial:	1,899
▪ Total estimated assessed value increase--currently vacant parcels developed as commercial:	(\$97,029,000)
<b>EST. NEGATIVE ANNUAL PROPERTY TAX IMPACT—</b>	
<b>\$8.64/\$100 ASSESSED VALUE COMMERCIAL RATE:</b>	<b>(\$8,383,305)</b>
<b>LESS: 15% to City ownership property tax foreclosure/other:</b>	<b>\$1,257,501</b>
<b>TOTAL ANNUAL PROPERTY TAX REVENUE:</b>	<b>(\$7,125,840)</b>

**10-YEAR IMPACT, assuming 2.5% annual inflation:**

**(\$79,833,500)**

### **OTHER FISCAL IMPACTS:**

**Non-Physical Nuisances:** The proposed amendment does not clearly define “nuisance.” Non-physical nuisances (e.g., criminal activity, drugs, antisocial behavior) are difficult if not impossible to cure and cannot be cured with “eradication” activities that place a lien on the property. Often the use of eminent domain is the only way to get such a property out of the hands of problem owners and into the hands of a responsible party.

**Inability to Redevelop as Higher Quality Residential Property:** Much of the City’s housing stock is obsolete and unattractive to the modern housing market. Eradicating nuisances per se does not allow the City to redevelop obsolete residential property into homes that will attract modern residents. Thus, the inability to redevelop obsolete and deteriorated residential property as higher quality residential property also has a cost. This cost can be estimated but they have not taken the time to do so here.

**Inability to Adequately Address Blighted Areas and Impact on Other Property:** The City has been in a continuing state of decline for the past five decades. Only recently has this decline been arrested. Now the City’s problems are slowly but surely being turned into opportunities, in large part because people believe that the City is making progress and will continue to do so. This progress has been possible due in large part to the availability of eminent domain for private redevelopment. If the proposed amendment becomes effective, this progress will come to a halt, and this in turn will (a) discourage “new” investors and homeowners from giving the City a chance, and (b) discourage those who have already invested in the City from remaining. The City has many problems, and those problems are being addressed, but total transformation cannot and will not happen overnight. It is essential that the City be able to continue to make progress if the successes recently experienced are to be sustained. If eminent domain is not available as a redevelopment tool in conjunction with private redevelopment, businesses and residents will once again leave the City and the same kinds of decline, disinvestment and population loss that the City previously suffered will continue into the foreseeable future.

The **City of Kirkwood** indicated that the fiscal impact would be minimal.

The State Auditor's Office did not receive a response from **Cole County, Greene County, Jackson County, St. Louis County**, the **City of Gladstone**, or the **City of Columbia**.

### **Fiscal Note Summary**

The total cost or savings to state or local governmental entities cannot be known. Some state governmental entities estimate no related costs, however, certain state governmental entities may have unknown or indirect costs that may exceed \$100,000. Estimated costs to local governmental entities will vary, but could be significant.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (07-02)**

**Subject**

Initiative petition from Ron Calzone regarding a proposed constitutional amendment for Article VI, Section 21, relating to eminent domain. (Received February 1, 2007)

**Date**

February 21, 2007

**Description**

This initiative petition would amend Article VI of the Missouri Constitution by modifying Section 21. Article VI, Section 21, currently permits cities or counties to enact ordinances, providing for the clearance, replanning, reconstruction, redevelopment and rehabilitation of blighted, substandard or insanitary areas, and for recreational and other facilities incidental or appurtenant thereto, and for taking or permitting the taking, by eminent domain, of property for such purposes, and when so taken the fee simple title to the property shall vest in the owner, who may sell or otherwise dispose of the property subject to such restrictions as may be deemed in the public interest.

The initiative petition repeals the section and replaces it with a section that protects property owners from public nuisances. In the event that an owner of property is found by a court of competent jurisdiction to be harboring such nuisance and has not fully abated the nuisance within a reasonable time after final judgment, any political subdivision of the state in which the nuisance exists may expend public funds to abate the nuisance and impose a lien on the offending property limited to an amount equal to the costs of the abatement and reasonable interest on such costs. Enforcement of the lien may be accomplished in the same manner as tax liens are enforced.

The amendment is to be voted on in November, 2008.

**Public comments and other input**

The State Auditor's Office requested input from the **Department of Economic Development, the Governor's Office/Office of Administration, the Department of Conservation, the Department of Natural Resources, the State Tax Commission, the Department of Transportation, Cole County, Greene County, Jackson County, St. Louis County, the City of Kirkwood, the City of Kansas City, the City of St. Louis, the City of Gladstone, and the City of Columbia.**

## Assumptions

Officials from the **Department of Economic Development** indicated the initiative petition would have no direct administrative or fiscal impact on their agency. Indirectly, this change to the constitution could severely limit economic development within Missouri and the use of tax incentive programs administered by the DED that attract jobs and investment to the state.

Officials from the **Governor's Office/Office of Administration** indicated this amendment would delete the ability for local governments to automatically clear, replant, reconstruct, redevelop, and rehabilitate any blighted, substandard, or insanitary areas and for taking or permitting the taking by eminent domain, of property for such purposes. This amendment adds new language that will allow local governments to enact laws and ordinances to protect property owners from public nuisances, gives government the right to rectify the nuisances and impose liens to recover costs for abatement of the nuisances. It appears this will have no fiscal impact to the State of Missouri.

Officials from the **Missouri Department of Conservation** indicated the vagueness of proposed language could allow laws or local ordinances to be enacted to create liens on lands deemed to be a public nuisance, regardless if on private or public land. A number of Conservation Department activities such as hunting or shooting ranges could fall within a possible nuisance determination. They question whether the immunity granted to firearm ranges in state statutes would protect in this situation. The possible number of varying regulations statewide is numerous.

Due to the speculative nature of the proposed language, the Department is unable to predict the fiscal impact.

Officials from the **Department of Natural Resources** does not anticipate any direct fiscal impact as a result of this proposal.

Officials from the **State Tax Commission** indicated the initiative petition would have no fiscal impact on their agency or county assessors.

The **Department of Transportation** indicated the proposal would have no fiscal impact on their department. This initiative petition amends Article VI, Section 21 of the Missouri Constitution to allow political subdivisions to expend public to abate private property nuisances and impose a lien on the offending property limited in the amount equal to nuisance abatement costs. Enforcement of the lien shall be in the same manner as tax liens. This initiative petition has the potential of making state agencies subject to liens which are filed against them. Under state law currently, liens generally are not authorized against the state.

The **City of Kansas City** indicated that no increase in revenues or savings will be experienced by this proposal. They further indicated that if a city in Missouri does not avail itself of the remedy provided by this change it will not incur any costs. But the change in remedies, going from being able to condemn and retain ownership of the property to having to get a civil judgment of a nuisance and then having to abate the nuisance at its initial expense and then having to lien the property for those expenses, would be a more expensive remedy for cities. At least some of those expenses would be uncollectible under the Land Tax Collection Act.

The new and additional expenses include the initial cost to abate the nuisance and the cost to litigate to a final civil judgment. Additionally, there would be the costs of collection. In Kansas City, Jackson County, which includes most of the City of Kansas City, the county collects their delinquent taxes for them and they pay them a fee.

The **City of St. Louis** indicated the initiative petition would result in significant increases in cost and significant amounts of lost revenue to the City.

Article VI of the Missouri Constitution currently provides that constitutional charter cities and counties can use eminent domain for the clearance, replanning, reconstruction, redevelopment and rehabilitation of blighted, substandard or insanitary areas and for recreational and other facilities. The proposed amendment would eliminate the use of eminent domain for these purposes and substitute a provision that allows local governments to spend public funds to eradicate “nuisances” if the owner has not eradicated such nuisances within a “reasonable time” after final judgment, and then attempt to recover the public cost of such eradication by filing liens with the status of tax liens and that are subject to foreclosure in the same manner as tax liens. These proposed changes will result in an extreme cost and an extreme loss of revenue to the City. The City uses eminent domain sparingly as currently permitted by Article VI, Section 21. But it is a very important tool that is vital in their efforts to overcome hundreds of acres of blight caused by five decades of suburban flight.

In 1950, the City had 850,000 people—today, they have just over 350,000. As a result of this population loss, there are now thousands of vacant lots and structures in the City of St. Louis. As a result of this population loss, many former residences and businesses have now become vacant buildings and vacant lots. Many of these vacant properties have fallen into City ownership by default—when the private owner did not pay property tax due, the property was placed in a tax foreclosure sale, and if a private party did not bid on the property its ownership was transferred to the Land Reutilization Authority. Redeveloping this decay would be easy if all of the properties were side by side—and if all of the vacant buildings and lots were owned by the City. In fact, they are not. The City-owned properties are scattered among many properties in the hands of private owners. Too many of these privately held properties are also blighted, making it

very difficult—and in some cases nearly impossible—to redevelop these run-down areas. The vast majority of privately owned vacant buildings and lots are not maintained by their private owners.

What is the result? Some of the City of St. Louis' neighborhoods are the best in the State of Missouri. But, others are plagued by poverty, poor infrastructure, and violence.

The City of St. Louis has made great progress in turning some of these neighborhoods around. But, it would not have happened without the possible use of eminent domain. Other neighborhoods waiting to be redeveloped will remain blighted if developers do not know at the beginning of a project that they will be able to complete it.

Eminent domain is needed to eradicate the vacant, abandoned, dangerous and problem properties that were left behind when half a million people left the City of St. Louis.

Even more important, the amendment will force the City to look only at individual nuisance properties, and, if the amendment becomes law, there will be no way for the City to address the redevelopment of blighted areas. The parcel-by-parcel approach contemplated by the proposed amendment will prohibit the City from engaging in the kind of developments that have the potential to put the City back on its economic feet and create value for the City and the State of Missouri. Developments like CORTEX, the new Pinnacle entertainment development, and Botanical Heights would no longer be possible—and it may not even be possible to complete those major developments that are already underway. It is critical that the City retain the ability to address blighted areas and to partner with private enterprise for the redevelopment of these blighted areas—the City cannot address the nuisances and decay that currently exist in the City using public funds alone. The reason they need redevelopment is because their tax base has eroded over the past fifty years. The City cannot reconstruct their tax base without the ability to address blighted areas, and they cannot reconstruct our tax base without partnerships with private enterprise. The proposed amendment would prohibit an area-wide approach, and it would also prohibit partnerships with private enterprise in redevelopment.

If the City is forced to address its problem and individual nuisance properties by using City funds to abate the nuisances first, before having the ability to acquire and sell the property to responsible owners, the result will be a significant additional cost to the City of St. Louis, as detailed in the attachments below. Further, since the City cannot possibly afford this cost, estimated at over \$40 million per year, these nuisances will not be abated. The proposed amendment also ignores the practical problem of the City entering onto privately owned property to abate nuisances. While they currently do this in order to demolish hazardous privately owned property, if they begin to do this to abate nuisances by

engaging in property repair, both the City and any contractors hired by the City run the risk of multiple and continuing legal actions due to issues with the manner of repair and the quality of the work that do not exist in a relatively simple demolition job. Thus, the approach proposed is not only unacceptably costly—it is practically infeasible as well.

Even if this method of nuisance eradication was feasible, was affordable, and was available to the City, this approach will not permit them to solve their problems of urban decay, since much of privately owned vacant property is obsolete. This vacant property includes both buildings and vacant lots. The buildings are because they became obsolete and no one wanted to buy them or live in them; the vacant lots typically result when a property becomes so deteriorated that it must be demolished. Over the years, the City has also come to own many such properties due to property tax and other lien foreclosures. But many of these properties remain in private ownership, even though they are for all practical purposes abandoned, because their owners pay minimal property taxes and weed and trash removal liens. Approximately 3,700 vacant buildings and 10,000 vacant lots remain in private ownership. This private ownership of abandoned property causes problems for both neighboring residents and businesses and the City and impairs the City's ability to heal itself after five decades of decay.

In addition, redevelopment of both publicly owned and privately owned vacant properties is seldom feasible without the ability to combine those parcels with other blighted property for redevelopment, since most of the City was originally platted in 25-foot frontage increments. Today, a 25-foot lot is virtually useless for any purpose, residential or commercial. The proposed amendment would render the City unable to engage in redevelopment of these properties. As detailed in the attachments, they estimate that this inability to engage in redevelopment would cost the City more than \$40 million annually, in addition to the \$40 million in additional City costs the City would incur in direct City funding of nuisance abatement.

The analysis in Attachment B provides detail on the types of costs the City would incur and the types of revenue losses the City would suffer if the amendment were to become law. Given the complexity of the issue and the amount of time available to provide this fiscal note, these figures are necessarily estimates. They believe, however, that the methodology described in Attachment B provides a reasonably accurate assessment of the fiscal impact to the City of St. Louis related to the impacts analyzed. In addition, in the interest of time, the attached assessment does not include each and every fiscal impact on the City—there are others which could be detailed if more time were available. The attached chart (Attachment A) summarizes the results of the methodologies applied in Attachment B and the estimated fiscal impact of the constitutional amendment.

As noted on the chart in Attachment A, they estimate that the total negative fiscal impact of the proposed Constitutional Amendment on the City of St. Louis is in

excess of (\$80 million) annually, and in excess of (\$900 million) over a ten-year period. In addition, the amendment would produce a related negative fiscal impact on responsible private property owners whose property values suffer because of blight, absentee landlords, and predatory land owners.

**ATTACHMENT A**  
**SUMMARY OF FISCAL IMPACT ESTIMATE:**  
**EMINENT DOMAIN INITIATIVE PETITION**  
**(Estimate Details Provided on Exhibit B)**

**CITY OF ST. LOUIS**

<b>COST OR LOST REVENUE ITEM:</b>	<b>ANNUAL COST/REVENUE LOSS:</b>	<b>10-YEAR COST/REVENUE LOSS--2.5% INFLATION:</b>	<b>NOTES:</b>
<b>ESTIMATED CITY NEW/CONTINUING COSTS:</b>			
Nuisance Identification/Abatement Management:	(\$2,020,500)	(\$22,636,433)	
Nuisance Eradication by:			
--City-Funded Repair:	(\$24,079,500)	(\$269,771,831)	
--Demolition:	(\$1,687,950)	(\$18,910,748)	
--Weed Cutting/Debris Removal:	(\$12,600,000)	(\$90,014,744)	
			10-year cost reduced by vacant lots assumed redeveloped
<b>ESTIMATED CITY NEW/CONTINUING REVENUE LOSSES:</b>			
Property tax impact--negative impact of vacant/vandalized privately owned properties on adjoining properties:	(\$4,109,007)	(\$46,034,772)	
Property tax impact--inability to make property available for private rehabilitation:	(\$1,551,657)	(\$17,383,810)	
Building permit revenue--inability to make available for private rehabilitation:	(\$192,636)	(\$1,926,360)	Assumes no inflation
Lost sales tax revenue--inability to develop commercially:	(\$24,083,188)	(\$269,813,151)	
Lost earnings/payroll tax revenue--inability to develop commercially:	(\$3,178,981)	(\$35,615,336)	
Lost real property tax--inability to develop commercially:	(\$7,125,840)	(\$79,833,500)	
<b>TOTALS:</b>	<b>(\$80,629,259)</b>	<b>(\$932,569,945)</b>	



**ATTACHMENT B**  
**DETAIL AND METHODOLOGY OF FISCAL IMPACT ESTIMATE:**  
**EMINENT DOMAIN INITIATIVE PETITION**

**CITY OF ST. LOUIS**

***PROBLEM/NUISANCE PROPERTIES—DIRECT CITY COSTS***

Most neighborhoods in the City of St. Louis have problem properties. The majority of these properties are privately owned—problems associated with the properties include criminal behavior, excessive trash and noise, collapsing walls, missing windows, open to the elements and to trespass, unsightly conditions, and a host of other issues. These properties plague responsible neighborhood residents and have serious negative impact on residential and business quality of life. While some portion of these problem properties may fall into City ownership due to property tax delinquency, the majority of them will need to be addressed in another manner, because owners continue to pay minimal property tax and retain ownership of these problem properties. The only manner in which many of these properties can be addressed is ultimately via eminent domain; while the proposed Constitutional Amendment replaces the eminent domain remedy for these problems with a provision that allows City eradication of the nuisance, at City cost, and permits the City to attempt to recover the City cost via liens and lien foreclosures, this alternate method will not be workable. Nevertheless, the following analysis assumes that the alternate method is workable and attempts to calculate the cost. If these properties cannot be addressed with eminent domain, actions currently undertaken to address problem/nuisance properties will (a) need to continue for the foreseeable future; (b) will need to be multiplied to address all rather than just some of the problems; (c) the City will need to add new staff to carry out the nuisance eradication work; and (d) the City will have to “front” the funds for the nuisance eradication, and only some of these funds will be recoverable via lien foreclosure.

**NUISANCE ERADICATION IDENTIFICATION AND MANAGEMENT:**

**Explanation:** The following analysis estimates the cost of the new staff the City will need to put in place to identify nuisances and manage the eradication of the nuisances. This analysis assumes that 10% of the estimated nuisances that exist today will be eradicated each year.

**Cost items:**

▪ Current cost of problem properties task force:	\$342,000
▪ Cost of police officer to serve warrants:	\$60,000
▪ Cost to quadruple problem properties task force:	\$1,206,000
▪ Cost of staff to manage eradication of 588 nuisances per year (10% of estimated total):	\$412,500
<b>TOTAL ANNUAL COST:</b>	<b>\$2,020,500</b>
<b>10-YEAR COST, assuming 2.5% annual inflation:</b>	<b>\$22,636,433</b>

**NUISANCE ERADICATION BY REPAIR:**

**Explanation:** Occupied nuisance privately owned properties where owners cannot be induced to make repairs via prosecution will require nuisance eradication by City-funded repair—and it will not be practical or in many cases legal to evict the occupants in order to eradicate the nuisance. The estimated number of such nuisances is 4,000. Further, it will be necessary for the City to rehabilitate some vacant privately owned properties, either because the property is located in an historic district or because the legal risks associated with demolition are too great to risk demolition at a lower cost.

**Cost items:**

▪ # of occupied building nuisances abated by City:	400
▪ # of vacant building nuisances abated by City w/repair:	188
▪ Additional cost to abate occupied building nuisances:	\$8,000,000
▪ Additional cost to abate vacant building nuisances:	\$18,800,000

<b>TOTAL ANNUAL COST:</b>	<b>\$26,800,000</b>
<b>LESS: 10% Recovered Costs through Lien Foreclosures:</b>	<b>(\$2,680,000)</b>
<b>TOTAL ANNUAL COST LESS RECOVERED COSTS:</b>	<b>\$24,120,000</b>
<b>10-YEAR COST, assuming 2.5% annual inflation:</b>	<b>\$269,772,000</b>

**NUISANCE ERADICATION BY DEMOLITION:**

**Explanation:** The above analysis assumes that 50% of privately owned vacant nuisance buildings can and should be rehabilitated, and that the remaining 50% require demolition. Often privately owned vacant buildings problem properties fall into such disrepair that the only mechanism for addressing the problem is demolishing the structure on the property. If these properties cannot be addressed by eminent domain before such time as demolition is inevitable, the City will be forced to continue to spend City funds to demolish the properties. While some of the cost of demolition is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost.

**Cost items:**

▪ Annual cost to demolish privately owned vacant buildings @ \$10,000/building:	<b>\$1,880,000</b>
---------------------------------------------------------------------------------	--------------------

<b>LESS: 10% recovered cost:</b>	<b>(\$188,000)</b>
<b>TOTAL ANNUAL COST LESS RECOVERED COSTS:</b>	<b>\$1,688,000</b>
<b>10-YEAR COST, assuming 2.5% annual inflation:</b>	<b>\$18,910,000</b>

**NUISANCE ERADICATION BY WEED CUTTING & DEBRIS REMOVAL:**

**Explanation:** Many privately owned problem properties are vacant; other privately owned properties have improvements but are abandoned—e.g., the owner does nothing to maintain the property. In both of these situations, City funds must be spent to remove unsightly conditions from the property so that the properties cause the least amount of harm to other properties on the block. While some of the cost of is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost. No deduction is made in this category for parcels acquired via property tax foreclosure, since once the property and the neighborhood deteriorate due to irresponsible property ownership it takes a long period of time for the property

to be placed into productive use and the City must still maintain the property in the meantime to the best of the City's ability. Unlike the cost to abate nuisances, these costs cannot be spread over a number of years—maintenance must be performed annually. If liens are imposed and foreclosed upon, in most instances the private owner will not pay off the liens—thus, the property falls by default into public ownership and the City will be still responsible for maintaining the property on an ongoing basis, unless and until the City can sell the property to another private owner.

**Cost items:**

- Annual cost of weed/trash removal on vacant lots—10,000 lots x 70% x 8 events/year x \$250/event: **\$14,000,000**

**LESS: 10% recovered cost:** **(\$1,400,000)**

**TOTAL ANNUAL COST:** **\$12,600,000**

**10-YEAR COST, assuming 2.5% annual inflation and assuming 10% of properties sold to private owners each year:** **\$90,014,000**

*LOST REVENUES*

**NEGATIVE IMPACT ON ADJOINING PROPERTIES:**

**Explanation:** Vacant and abandoned properties drive down the value of other properties located on the same block. The abandonment of a property is visible signal that its owners do not care about it to other owners on the block and to those who otherwise might be interested in purchasing property on the block. The City receives a high volume of complaints each year about vacant and vandalized privately owned properties. In 2005, according to the City's vacant building survey, the City had 3,751 privately owned residential vacant and vandalized buildings located on approximately 1,631 City blocks—the number of vacant and vandalized properties per block ranged from 1 to 16. The City must be able to take these properties out of the hands of irresponsible owners who care nothing about the surrounding neighborhoods. If the City cannot do so, the City and other taxing jurisdictions will suffer from the negative impact of these problem properties on other properties forever, with no way to take back neighborhoods from owners that wreak havoc on our neighborhoods and responsible neighbors' lives. Assuming that each City block with one or more abandoned property reduces the value of other properties on the block by 10% (believed to be a conservative number in blocks that are plagued with more than one vacant and vandalized property), the cost to the City and other taxing jurisdictions in property taxes and the cost to adjacent owners in reduced property values are calculated below. No deduction is made in this category for parcels acquired via property tax or nuisance eradication lien foreclosure because the damage to neighboring property values has already been done by the time the City acquires the property through tax or nuisance eradication lien foreclosure. With eminent domain, the City has the ability (assuming funding is available) to acquire the property before damage to neighboring property values becomes irreversible.

- Total # of City blocks (approximate): 5,800
- Total # of parcels: 141,081
- Average parcels/city block: 24.32
- City blocks w/vacant & vandalized buildings: 1,631

▪ <b>Parcels negatively impacted by vacant buildings:</b>	<b>39,673</b>
▪ Average assessed value/residential parcel:	\$14,796
▪ Total value parcels with vacant buildings on block:	\$586,896,952
▪ Estimated 10% negative assessed value impact due to vacant buildings:	(\$58,689,695)

**EST. NEGATIVE ANNUAL TAX IMPACT—**

<b>\$7/\$100 ASSESSED VALUE:</b>	<b>(\$4,109,007)</b>
<b>10-YEAR IMPACT, assuming 2.5% annual inflation:</b>	<b>(\$46,034,772)</b>

In addition, nuisances hurt adjacent property owners by negatively impacting the value of the adjacent owners' property. This hurts owners by impairing their ability to sell or borrow against the property at a higher value.

**NEGATIVE IMPACT ON MARKET VALUE OF  
NON-VACANT PRIVATELY OWNED  
PROPERTIES (ASSESSED VALUE/19%):**

**(\$308,947,879)**

**LOST REVENUES DUE TO LACK OF PROPERTY IMPROVEMENT BY PRIVATE PARTIES:**

**Explanation—Vacant Building Rehabilitation:** In addition to the loss of property tax associated with negative impacts on surrounding non-vacant properties, the fact that owners allow vacant and vandalized properties to deteriorate also costs the City and other taxing jurisdictions in lost tax revenue. When privately owned formerly abandoned or vacant properties are redeveloped as private property, these properties add growth to the City's tax base above and beyond the growth permitted by the Hancock Amendment. In addition, it is not reasonable to expect that the City itself would rehabilitate and occupy these properties that were formerly occupied by private parties—if the City were required to rehabilitate and occupy the properties forever, it would cost the City significant amounts of money to rehabilitate the properties, as described above, and to maintain the properties in the event that private parties do not purchase them. Further, if the City rather than private parties rehabilitates and occupies the properties (as is required by the amendment—the City cannot take the property by eminent domain and sell it to a private owner for rehabilitation), the City will lose revenue that it would otherwise collect due to fees on improvement costs. The following factors are used below to calculate the loss of tax revenues associated with the fact that the City will be unable to encourage property improvement and tax base growth if the amendment is passed:

### **Lost Property Tax Revenue—Lack of Vacant Building Rehabilitation:**

▪ Average assessed value of privately owned vacant/vandalized building:	\$7,181
▪ Low end of average sales price for rehabilitated rehabilitated residential property:	\$100,000
▪ Low end of average assessed value for rehabilitated residential property @ 19%:	\$19,000
▪ Value lost due to inability to make available for private rehabilitation:	\$11,819
▪ 50% if of privately owned vacant buildings rehabilitated:	1,876

#### **EST. NEGATIVE ANNUAL TAX IMPACT—**

**\$7/\$100 ASSESSED VALUE:** **(\$2,216,653)**

**LESS: 15% to City ownership via property tax foreclosure:** **\$332,500**

**LESS: 15% redeveloped for commercial use:** **\$332,500**

**TOTAL ANNUAL PROPERTY TAX IMPACT:** **(\$1,551,657)**

**10-YEAR IMPACT, assuming 2.5% annual inflation:** **(\$17,383,810)**

### **Lost Building Permit Fee Revenue—City Rehabilitation:**

▪ # of privately owned vacant buildings to be rehabilitated:	1,876
▪ Approximate average cost of rehabilitation:	\$100,000
▪ Building Permit fee rate:	\$9/\$1,000
▪ Building permit fees lost:	(\$1,688,000)
▪ # of privately owned occupied buildings to be abated:	4,000
▪ Approximate average cost of rehabilitation:	\$20,000
▪ Building Permit fee rate:	\$9/\$1,000
▪ Building permit fees lost:	(\$720,000)

**TOTAL LOST BUILDING PERMIT FEE REVENUE:** **(\$2,408,000)**

**LESS: 20% Private owner compliance:** **\$481,590**

**NEGATIVE IMPACT:** **(\$1,926,410)**

**ANNUAL COST—ASSUME 10% PER YEAR:** **(\$192,641)**

**Explanation—Lost Revenue due to Lack of Vacant Land Redevelopment:** Many privately owned City properties are vacant lots where the improvements have been demolished, either by the City or by the private owner. These vacant lots are scabs on otherwise intact neighborhoods. In many city neighborhoods, these vacant lots outnumber parcels with improvements. In many cases, the vacant parcels, 25' wide, are flanked by other vacant properties owned by multiple owners. The City's inability to use eminent domain to assemble these vacant lots and abandoned properties and return them to productive use will result in significant lost revenues—sales tax revenues, property tax revenues and payroll/earnings tax revenues. In addition, the development of new retail and other facilities is essential to preserving the City's existing population and encouraging new residents to locate in the City. Such development is currently occurring in the City but will come to a halt if the amendment passes. The following factors are used below to calculate the loss of tax revenues associated with the fact that the City will be unable to

encourage commercial redevelopment of abandoned property and tax base growth if the amendment is passed:

▪ # of privately owned vacant lots in City—2005:	10,131
▪ Average area of 1 vacant lot—sq. ft:	7,955
▪ Total vacant lot area:	80,592,105
▪ Assume additional 50% City-owned lots that cannot be developed w/o adjacent privately owned vacant lots:	40,296,052
▪ Total developable vacant lot area:	120,888,157
▪ Assume 1/8 of vacant lot area could be redeveloped as commercial:	15,111,019
▪ Assumed building/lot coverage for commercial development:	25%.
▪ Total area of retail not developed:	3,777,755
▪ Average retail sales/sq. ft.:	\$300
▪ Average annual City sales tax:	2.5%
<b>ANNUAL LOST SALES TAX REVENUE:</b>	<b>(\$28,333,000)</b>
<b>LESS: 15% to City ownership property tax foreclosure/other:</b>	<b>\$4,249,974</b>
<b>TOTAL ANNUAL SALES TAX REVENUE:</b>	<b>(\$24,083,000)</b>
<b>10-YEAR IMPACT, assuming 2.5% annual inflation:</b>	<b>(\$269,813,151)</b>
▪ Average jobs/1,000 sq. ft. commercial:	3
▪ Total commercial jobs:	11,333
▪ Average salary/retail job:	\$22,000
▪ Estimated payroll:	
<b>ANNUAL LOST CITY PAYROLL/EARNINGS TAX @ 1.5%:</b>	<b>(\$3,739,977)</b>
<b>LESS: 15% to City ownership—property tax foreclosure/other:</b>	<b>\$560,997</b>
<b>TOTAL ANNUAL PAYROLL/EARNINGS TAX REVENUE:</b>	<b>(\$3,178,981)</b>
<b>10-YEAR IMPACT, assuming 2.5% annual inflation:</b>	<b>(\$35,615,336)</b>
▪ Average assessed value/private owned vacant parcel:	\$3,291
▪ Average assessed value commercial non-vacant parcel:	\$54,386
▪ Difference in assessed value—vacant/non-vacant:	\$51,095
▪ Total privately owned vacant parcels:	10,131
▪ Assume additional 50% City-owned parcels that cannot be developed w/o adjacent privately owned vacant lots:	5,065
▪ Total parcels unable to be developed:	15,196
▪ Assume 1/8 of vacant lot area could be redeveloped as commercial:	1,899
▪ Total estimated assessed value increase--currently vacant parcels developed as commercial:	(\$97,029,000)
<b>EST. NEGATIVE ANNUAL PROPERTY TAX IMPACT—</b>	
<b>\$8.64/\$100 ASSESSED VALUE COMMERCIAL RATE:</b>	<b>(\$8,383,305)</b>
<b>LESS: 15% to City ownership property tax foreclosure/other:</b>	<b>\$1,257,501</b>
<b>TOTAL ANNUAL PROPERTY TAX REVENUE:</b>	<b>(\$7,125,840)</b>
<b>10-YEAR IMPACT, assuming 2.5% annual inflation:</b>	<b>(\$79,833,500)</b>

## **OTHER FISCAL IMPACTS:**

**Non-Physical Nuisances:** The proposed amendment does not clearly define “nuisance.” Non-physical nuisances (e.g., criminal activity, drugs, antisocial behavior) are difficult if not impossible to cure and cannot be cured with “eradication” activities that place a lien on the property. Often the use of eminent domain is the only way to get such a property out of the hands of problem owners and into the hands of a responsible party.

**Inability to Redevelop as Higher Quality Residential Property:** Much of the City’s housing stock is obsolete and unattractive to the modern housing market. Eradicating nuisances per se does not allow the City to redevelop obsolete residential property into homes that will attract modern residents. Thus, the inability to redevelop obsolete and deteriorated residential property as higher quality residential property also has a cost. This cost can be estimated but they have not taken the time to do so here.

**Inability to Adequately Address Blighted Areas and Impact on Other Property:** The City has been in a continuing state of decline for the past five decades. Only recently has this decline been arrested. Now the City’s problems are slowly but surely being turned into opportunities, in large part because people believe that the City is making progress and will continue to do so. This progress has been possible due in large part to the availability of eminent domain for private redevelopment. If the proposed amendment becomes effective, this progress will come to a halt, and this in turn will (a) discourage “new” investors and homeowners from giving the City a chance, and (b) discourage those who have already invested in the City from remaining. The City has many problems, and those problems are being addressed, but total transformation cannot and will not happen overnight. It is essential that the City be able to continue to make progress if the successes recently experienced are to be sustained.

The **City of Kirkwood** indicated that the fiscal impact on the city would be minimal.

The State Auditor's Office did not receive a response from **Cole County, Greene County, Jackson County, St. Louis County, the City of Gladstone, or the City of Columbia.**

### **Fiscal Note Summary**

The total cost or savings to state or local governmental entities cannot be known. Some state governmental entities estimate no related costs, however, certain state governmental entities may have unknown or indirect costs. Estimated costs to local governmental entities will vary, but could be significant.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (07-05)**

**Subject**

Initiative petition from Herman Kriegshauser regarding a proposed constitutional amendment for Article X, relating to taxation. (Received April 12, 2007)

**Date**

May 2, 2007

**Description**

This initiative petition would amend Article X of the Missouri Constitution by adding Section 25. Section 25 would allow for individual and corporate contributors and donors to not-for-profit corporations, organizations and foundations, as defined by the Internal Revenue Service, to receive a fifty percent (50%) state income tax credit against the income taxes due for the taxable year in which the donation or contribution is made, in addition to current federal and state income tax deductions allowable.

**Public comments and other input**

The State Auditor's Office requested input from the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office/Office of Administration**, the **Department of Conservation**, the **State Tax Commission**, the **Department of Transportation**, the **State Treasurer's Office**, **Clay County**, **Greene County**, **St. Charles County**, the **City of Kansas City**, and the **City of St. Louis**.

**Assumptions**

Officials from the **Department of Agriculture** indicated the initiative petition would have no fiscal impact on their agency.

Officials from the **Department of Corrections** indicated the initiative petition would have no impact on their agency.

The **Department of Conservation** indicated that it does not appear that the proposed amendment would have a significant fiscal impact on the Department. However, they did indicate that it would have a significant adverse fiscal impact on state revenue as a whole.



Officials from the **Department of Economic Development** indicated the initiative petition would have no fiscal or administrative impact on their agency.

Officials indicated the impact of this initiative petition on the **Department of Higher Education** is unknown. However, the Department indicated they receive approximately 82% of its budget from General Revenue, and any limitations placed on these funds or change in the distribution of these funds may negatively impact the Department. Reductions in state revenue will also have a negative but unknown impact in higher education institutions in Missouri.

Officials from the **Department of Elementary and Secondary Education** indicated no impact to the Department. They did indicate that the Department of Revenue is likely to experience an administrative burden. Further they explained that tax credits will reduce tax receipts flowing to the General Revenue fund. More tax credits mean less General Revenue available statewide for state use including education and funding the foundation formula.

The **Department of Insurance, Financial Institutions and Professional Registration** anticipates this initiative petition will result in no costs or savings to the department or in the collection of premium tax. The department's opinion is the phrase "state income tax" excludes the 50% credit from premium taxes paid to the state. However, if "state income tax" is to be interpreted to include premium tax, the fiscal cost is unknown, due to the department not knowing how many insurance companies will choose to participate in the program and take advantage of the tax credits. The department can not estimate how much would be lost in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by this tax credit each year. The department will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation.

Officials from the **Governor's Office/Office of Administration** indicated this proposed amendment creates a tax credit against state income taxes for individual and corporate contributors to specified not-for-profit associations. The tax credit is defined as a "50% state income tax credit against state income taxes". Budget & Planning (BAP) assumes this means the value of the credit equals 50% of the value of the donation.

Further, since there is no language addressing refundability, transferability, or carry-forward issues, BAP assumes the proposed credit would be fully refundable; i.e., if the value of the credit exceeds the taxpayer's liability in the tax year in question, the taxpayer would receive the excess amount in the form of a refund from General Revenue (GR).

BAP assumes the first year of fiscal impact would be Tax Year 2008, or Fiscal Year 2009.

#### Individual Income Tax

BAP's response is based on data from the IRS Statistics of Income for Missouri, Tax Year 2004 (the most recent available). In that year 2,586,000 total tax returns were filed; 802,000 taxpayers itemized deductions, and 688,000 of taxpayers who itemized reported contributions (86%). These contributions totaled \$2.596B, for an average of \$3,773.

BAP assumes itemizing would not be required to receive this tax credit and that up to 86% of all filers will make contributions at the average rate, equaling \$8.391B of contributions ( $2,586,000 \times .86 \times 3,773$ ). The average rate of growth in contributions from 2001 to 2004 was 4% annually; assuming this growth rate, BAP estimates \$9.816B of contributions in tax year 2008. Therefore, they estimate that up to \$4.908B of tax credits would be issued for FY 2009.

#### Corporate Income Tax

BAP's response is based on data from the IRS Statistics of Income for Tax Year 2003 (the most recent available). In that year, US corporations made \$10.823B of contributions. BAP assumes 2% of those were made by Missouri taxpayers, or \$216M. Assuming a 4% growth rate, BAP estimates \$263M of contributions in tax year 2008. Therefore, up to \$132M of tax credits would be issued for FY 2009.

Therefore, the Governor's Office/Office of Administration assume this proposal will annually reduce general and total state revenues up to \$5.040B beginning in FY 2009.

The **Department of Revenue** (DOR) indicated this legislation creates a new tax credit. Tax credits reduce the amount of tax due; therefore, it would reduce the amount of state revenues. This legislation would be an addition to the Missouri Constitution, which makes it subject to a vote of the people.

If approved by the people, this legislation would allow a 50% tax credit against state income taxes due, for donations made to non-profit organizations, in addition to the current federal and state income tax deductions allowed.

The Department estimates the administration of this initiative petition to require 7 FTE bringing the cost of this proposal to \$264,000 for FY 2008, \$280,113 for FY 2009 and \$288,518 for FY 2010.

Customer Services - would require 1 Tax Collection Technician I (\$23,916 annual salary, plus related fringe benefits, expenses and equipment) for every 15,000 calls a year on the income tax hot line due to lack of documentation. 1 Tax Collection Technician I for every 24,000 calls a year to the delinquency/collections line on billings and denied deductions due to lack of documentation. They will also need 1 Tax Processing Technician I (\$23,916 annual salary, plus related fringe benefits, expenses and equipment) for every additional 4,800 contacts in the field offices (DOR anticipates most

customers will contact the department via phone, therefore, will only request 1 FTE for each of the larger field offices including Kansas City, St. Louis, and Springfield).

Corporate/Franchise Tax – would require 1 Tax Processing Technician I for verification purposes.

Personal Tax – assuming DOR is to certify the credit, Personal Tax would require 1 Tax Processing Technician I for every 4,000 credits claimed.

The Department of Revenue also indicated that this legislation is extremely vague, creating a number of issues for DOR and taxpayers:

- The effective date is unknown. Language indicating “beginning on or after January 1, 2008” is recommended.
- Without an effective date, it is unclear if a taxpayer could file amended returns to recoup additional credit on past qualifying donations.
- The language is silent as to if the credit can be refunded, transferred, sold, assigned, or carried forward/back.
- The language does not stipulate who would verify the donation or certify the credit.
- The language does not stipulate what constitutes a contribution or donation.
- By allowing the credit in addition to current federal and state income tax deductions, this would allow taxpayer’s qualifying for this credit to receive double benefit. For example, corporations already get up to 100% credit for contributions, on their federal returns, which flow through to the Missouri return.
- The language is silent as to what the 50% of “what” is supposed to be. Taxation assumes the intent is to allow a credit, toward the taxpayer’s liability, of 50% of the donation. Taxation requests this be clarified.
- The term “U.S. Department of the Treasury, Internal Revenue Service” is not defined. Do they mean charitable organizations pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended, if so it should be defined.
- It applies credit against “state income taxes.” This term is undefined. It would be better to add “except for section 143.191 to 143.265, RSMo.” The credit should be against the individual or the corporation’s tax liability, not against the employer withholding tax, which an employer retains from the employees and remits to the state. This would allow an employer to apply the credit against withholding taxes, which are not technically “paid” by the employer they are “withheld” by the employer and “paid” by the employee.

Officials from the **State Treasurer’s Office** indicated no fiscal impact as a result of this initiative petition.

Officials from the **State Tax Commission** indicated no impact as a result of this initiative petition.

Officials from the **Department of Labor and Industrial Relations** indicated no fiscal impact as a result of this initiative petition.

Officials from the **Department of Mental Health** indicated this initiative petition may increase the number of persons that make such donations; however, this increase would not have a direct fiscal impact to the Department.

The **Department of Social Services** indicated there is no cost to them to place this measure of the ballot. However, they also indicated that the passage of this proposal would result in a decrease in state revenue. It is not known how an overall decrease in state revenue would impact the budget of the Department.

Officials from the **Department of Natural Resources** indicated the initiative petition would have no direct fiscal impact on their agency.

The **Department of Public Safety** indicated that they are unable to determine the fiscal impact of this initiative petition.

Officials from **Greene County** indicated no anticipated fiscal impact on the county as a result of this initiative petition.

Officials from the **City of St. Louis** indicated that it is difficult to estimate the impact of this proposed amendment on the City. On one hand, if the effect of the amendment is to increase charitable donations and these charitable donations in turn reduce the amounts of money the City of St. Louis needs to spend to address the needs of the less fortunate citizens and/or address other City needs, the impact of the amendment will be positive. On another hand, if the amendment does not increase the amount of charitable contributions and/or the increase in charitable contributions made does not reduce the City's cost of providing services to those in need or allow the City to address other needs through philanthropy, and if the result of the tax credit in these circumstances is to reduce the amounts of revenue available from or through the State of Missouri to address the needs of the City and its residents, the impact of the amendment will be negative.

The **City of Kansas City** indicated no fiscal impact on the city as a result of this initiative petition.

The State Auditor's Office did not receive a response from the **Department of Health and Senior Services**, the **Department of Transportation**, **Clay County**, or **St. Charles County**.

### **Fiscal Note Summary**

The cost to state governmental entities is estimated to exceed \$5 billion annually. The cost or savings to local governmental entities is unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (07-06)**

**Subject**

Initiative petition from Michael Mikkelsen regarding a proposed statutory amendment to RSMo Chapter 311, relating to liquor control law. (Received April 18, 2007)

**Date**

May 3, 2007

**Description**

This initiative petition would amend RSMo Chapter 311 to change the legal age for the sale, purchase, and possession of alcohol from 21 to 18 years and changes the age for minors used in investigations from 18 or 19 to 15 or 16.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office/Office of Administration**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Office of the State Public Defender**, **Cole County**, **St. Louis County**, **Greene County**, **St. Charles County**, **City of Columbia**, **City of Jefferson**, and the **City of Kansas City**.

**Assumptions**

Officials from the **Department of Agriculture** indicated the initiative petition would have no fiscal impact on their agency.

Officials from the **Department of Corrections** indicated the initiative petition would have no impact on their agency.

The **Department of Conservation** indicated the proposed amendment would change the legal age for the sale, purchase, and possession of alcohol from 21 to 18 years. Were the proposed amendment enacted, it is reasonable to assume that alcohol sales would increase and, as a consequence, sales tax revenue would increase. As the Department's funding is derived, in part, from the one-eighth of one percent sales tax provided in

Article IV, Section 43(a) of the Missouri Constitution, it is reasonable to assume that the proposed amendment would result in additional funds to the Department.

Officials from the **Department of Economic Development** indicated the initiative petition would have no administrative or fiscal impact on their agency.

Officials from the **Department of Health and Senior Services** indicated the initiative petition would have no impact on their agency.

Officials from the **Department of Higher Education** indicated this initiative would have no foreseeable fiscal impact on the agency. It may have some fiscal impact on Missouri's colleges and universities, but that impact is likely to be different for different institutions and is difficult to predict.

Officials from the **Department of Elementary and Secondary Education** indicated that there is no state cost to the foundation formula associated with this proposal. Should the new crimes and amendments to current law result in additional fines or penalties, DESE cannot know how much additional money might be collected by local governments or the DOR to distribute to schools. To the extent fine revenues exceed 2004-2005 collections, any increase in this money distributed to schools increases the deduction in the foundation formula the following year. Therefore the affected districts will see an equal decrease in the amount of funding received through the formula the following year; unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula.

The **Department of Insurance, Financial Institutions and Professional Registration** anticipates this initiative petition will result in no costs or savings to the department.

Officials from the **Governor's Office/Office of Administration** indicated this proposal changes the legal drinking in age in Missouri from 21 to 18 years of age.

This proposal will increase general and total state revenues. Please note that Budget and Planning (B&P) recognizes that the current amount of any illegal sales to persons under age 21 will reduce the estimates provided above.

#### Excise Tax

In FY 2006, \$29.54 million in excise taxes were collected on liquor and beer sales.

According to the US Census Bureau, in 2000, there were 3.92 million people in Missouri age 21 and over, and 4.17 million people age 18 and over. Therefore, an additional 250,000 people would be of legal drinking age, an increase of 6.3%.

Using the figures above, the per capita alcohol tax collected under current law is \$7.54.

Multiplying this by 250,000 people, excise tax revenues would increase by \$1.89 million annually.

### Sales Tax

According to the US Bureau of Economic Analysis Personal Consumption Expenditures data, in 2005, \$144.2 billion was spent nationally on alcohol consumption. Assuming Missouri's expenditures were 1.8% (Missouri's share of national personal income) of this figure, Missouri's alcohol expenditures were \$2.6 billion.

Using the 6.3% increase from above, under this proposal, increased alcohol expenditures would be \$163.8 million.

Therefore, sales tax revenues would increase at the following rates:

General Revenues (3%) -- \$4.91 million

Proposition C (1%) -- \$1.64 million

Conservation (0.125%) -- \$0.20 million

Parks & Soils (0.1%) -- \$0.16 million

Local Taxes (2.5%) -- \$4.10 million

(B&P stated 2.5% is the average local sales tax rate used by their office for legislative fiscal note purposes).

B&P defers to other state departments for the potential loss of federal funds and costs to their respective agencies.

The **Department of Revenue** indicated minimal impact on the agency as a result of this proposal. If enacted, form and procedure changes will be required.

The **Department of Transportation** indicated this initiative petition would result in a cost of \$50,000,000 in federal transportation funds for Missouri. The National Minimum Drinking Age Act of 1984 (Title 23 U.S.C. §158) was passed on July 17, 1984 by the United States Congress as a mechanism whereby all states would become thereafter required to legislate and enforce the age of 21 years as a minimum age for purchasing or public possession of alcoholic beverages. In addition to the significant loss of funding to non-compliant states, the numbers of drivers 15- to 20-years-old who were intoxicated dropped by 49 percent between 1987 and 1998. This is often attributed, in large part, to the restoration of the 21-year-old minimum drinking age laws in the 1980's. (Source: Roeper, P.J., Boas, R.B., Underage drivers are separating drinking from driving. American Journal of Public Health, May 1999; 89: 755-757) Under the Federal Aid Highway Act, a state not enforcing the minimum age would be subjected to a ten percent decrease in its annual federal highway apportionment: "§ 158. National minimum drinking age (a) WITHHOLDING OF FUNDS FOR NONCOMPLIANCE.—(1) IN GENERAL.—The Secretary shall withhold 10 per centum of the amount required to be apportioned to any State under each of sections 104(b)(1), 104(b)(3), and 104(b)(4) of this title on the first day of each fiscal year after the second fiscal year beginning after September 30, 1985, in which the purchase or public possession in such State of any alcoholic beverage by a person who is less than twenty-one years of age is lawful."

The Department indicated such a reduction in federal transportation funds could result in a reduction of available state matching funds for local governmental transportation projects.

Officials from the **Office of the State Public Defender** indicated no significant impact as a result of this initiative petition.

Officials from the **Office of the State Courts Administrator** indicated no fiscal impact on the judiciary as a result of this initiative petition.

Officials from the **Attorney General's Office** indicated no fiscal impact as a result of this initiative petition.

Officials from the **Department of Labor and Industrial Relations** indicated no fiscal impact as a result of this initiative petition.

Officials from the **Department of Mental Health** indicated this initiative petition would have an unknown impact to the Department. This proposal could increase the waiting list of those that present for treatment and could also increase the need for prevention services within the middle and high schools.

The **Department of Public Safety** indicated the fiscal impact is unknown for the Director's Office. The Alcohol and Tobacco Control Division indicated no fiscal impact as a result of this initiative petition.

The **City of Kansas City** indicated no fiscal impact on the city as a result of this initiative petition.

The **City of Jefferson** indicated they would be required to amend all ordinances that mirror current state statutes modified by this petition. The 1984 National Drinking Age Act required that a portion of all federal highway funds be withheld from any state which did not prohibit purchasing or publicly possessing alcohol by persons less than 21 years of age. However, the National Drinking Age Act did not apply to municipalities. The city receives very little direct federal funding. Most of the direct federal funding received by the city is for bussing. The city receives most federal funds indirectly through the state. That is to say that the state receives funds that are then passed through to the city. The state would most certainly lose a portion of its federal highway funds and thus it seems likely the city would lose some state funds as a result, however, the city would not lose any direct federal funds. The impact to the city would depend on the impact to the state. The city would also lose revenue from Municipal Court fines although the amount lost would be negligible.

The State Auditor's Office did not receive a response from the **Department of Natural Resources**, the **Department of Social Services**, **Cole County**, **Greene County**, **St. Charles County**, **St. Louis County**, or the **City of Columbia**.



**Fiscal Note Summary**

This proposal would cost state and local governmental entities an estimated \$50 million in federal transportation funds, and generate an estimated \$6.91 million in state sales taxes, \$1.89 million in state excise taxes, and \$4.10 million in local sales taxes.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (07-07)**

**Subject**

Initiative petition from Michael Mikkelsen regarding a proposed statutory amendment to RSMo Chapter 311, relating to liquor control law. (Received May 22, 2007)

**Date**

June 11, 2007

**Description**

This initiative petition would amend RSMo Chapter 311 to change the legal age for the sale, purchase, and possession of alcohol from 21 to 18 years and changes the age for minors used in investigations from 18 or 19 to 15 or 16.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office/Office of Administration**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Office of the State Public Defender**, **Cole County**, **St. Louis County**, **Greene County**, **St. Charles County**, **City of Columbia**, **City of Jefferson**, and the **City of Kansas City**.

**Assumptions**

Officials from the **Department of Agriculture** indicated the initiative petition would have no fiscal impact on their agency.

Officials from the **Department of Corrections** indicated the initiative petition would have no impact on their agency.

The **Department of Conservation** indicated the proposed amendment would change the legal age for the sale, purchase, and possession of alcohol from 21 to 18 years. Officials assume that the proposed amendment would not have a negative fiscal impact on their agency.

Officials from the **Department of Economic Development** indicated the initiative petition would have no administrative or fiscal impact on their agency.

Officials from the **Department of Health and Senior Services** indicated the initiative petition would have no impact on their agency.

Officials from the **Department of Higher Education** indicated this initiative would have no foreseeable fiscal impact on the agency. It may have some fiscal impact on Missouri's colleges and universities, but that impact is likely to be different for different institutions and is difficult to predict.

Officials from the **Department of Elementary and Secondary Education** indicated that there is no state cost to the foundation formula associated with this proposal. Should the new crimes and amendments to current law result in additional fines or penalties, DESE cannot know how much additional money might be collected by local governments or the DOR to distribute to schools. To the extent fine revenues exceed 2004-2005 collections, any increase in this money distributed to schools increases the deduction in the foundation formula the following year. Therefore the affected districts will see an equal decrease in the amount of funding received through the formula the following year; unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula.

The **Department of Insurance, Financial Institutions and Professional Registration** anticipates this initiative petition will result in no costs or savings to the department.

Officials from the **Governor's Office/Office of Administration** indicated this proposal changes the legal drinking in age in Missouri from 21 to 18 years of age.

This proposal will increase general and total state revenues. Please note that Budget and Planning (B&P) recognizes that the current amount of any illegal sales to persons under age 21 will reduce the estimates provided above.

#### Excise Tax

In FY 2006, \$29.54 million in excise taxes were collected on liquor and beer sales.

According to the US Census Bureau, in 2000, there were 3.92 million people in Missouri age 21 and over, and 4.17 million people age 18 and over. Therefore, an additional 250,000 people would be of legal drinking age, an increase of 6.3%.

Using the figures above, the per capita alcohol tax collected under current law is \$7.54.

Multiplying this by 250,000 people, excise tax revenues would increase by \$1.89 million annually.

### Sales Tax

According to the US Bureau of Economic Analysis Personal Consumption Expenditures data, in 2005, \$144.2 billion was spent nationally on alcohol consumption. Assuming Missouri's expenditures were 1.8% (Missouri's share of national personal income) of this figure, Missouri's alcohol expenditures were \$2.6 billion.

Using the 6.3% increase from above, under this proposal, increased alcohol expenditures would be \$163.8 million.

Therefore, sales tax revenues would increase at the following rates:

General Revenues (3%) -- \$4.91 million

Proposition C (1%) -- \$1.64 million

Conservation (0.125%) -- \$0.20 million

Parks & Soils (0.1%) -- \$0.16 million

Local Taxes (2.5%) -- \$4.10 million

(B&P stated 2.5% is the average local sales tax rate used by their office for legislative fiscal note purposes).

B&P defers to other state departments for the potential loss of federal funds and costs to their respective agencies.

The **Department of Revenue** indicated no fiscal impact on the agency as a result of this proposal. If enacted, a few minor procedural changes will be required.

Officials from the **Department of Social Services** indicated the initiative petition would have no direct fiscal impact on their agency.

The **Department of Transportation** indicated this initiative petition would result in a cost of \$50,000,000 in federal transportation funds for Missouri. The National Minimum Drinking Age Act of 1984 (Title 23 U.S.C. §158) was passed on July 17, 1984 by the United States Congress as a mechanism whereby all states would become thereafter required to legislate and enforce the age of 21 years as a minimum age for purchasing or public possession of alcoholic beverages. In addition to the significant loss of funding to non-compliant states, the numbers of drivers 15- to 20-years-old who were intoxicated dropped by 49 percent between 1987 and 1998. This is often attributed, in large part, to the restoration of the 21-year-old minimum drinking age laws in the 1980's. (Source: Roeper, P.J., Boas, R.B., Underage drivers are separating drinking from driving. American Journal of Public Health, May 1999; 89: 755-757) Under the Federal Aid Highway Act, a state not enforcing the minimum age would be subjected to a ten percent decrease in its annual federal highway apportionment: "§ 158. National minimum drinking age (a) WITHHOLDING OF FUNDS FOR NONCOMPLIANCE.—(1) IN GENERAL.—The Secretary shall withhold 10 per centum of the amount required to be apportioned to any State under each of sections 104(b)(1), 104(b)(3), and 104(b)(4) of this title on the first day of each fiscal year after the second fiscal year beginning after September 30, 1985, in which the purchase or public possession in such State of any alcoholic beverage by a person who is less than twenty-one years of age is lawful."

The Department indicated such a reduction in federal transportation funds could result in a reduction of available state matching funds for local governmental transportation projects.

Officials from the **Office of the State Public Defender** indicated no significant impact as a result of this initiative petition.

Officials from the **Office of the State Courts Administrator** indicated no fiscal impact on the judiciary as a result of this initiative petition.

Officials from the **Attorney General's Office** indicated no fiscal impact as a result of this initiative petition.

Officials from the **Department of Labor and Industrial Relations** indicated no fiscal impact as a result of this initiative petition.

Officials from the **Department of Mental Health** indicated this initiative petition would have an unknown direct fiscal impact to the Department, but would result in a significant impact on the state. The federal Uniform Drinking Age Act of 1984 mandated reduced federal transportation funds to those states that did not raise the minimum drinking age to 21; Missouri would stand to lose 10% of its federal highway funding, as much as \$50 million per year. Furthermore, states that raised the minimum drinking age as a result of this Act experienced a 10-15% decline in alcohol-related traffic deaths among drivers in the targeted ages as compared with states that did not adopt such laws.

The **Department of Public Safety** indicated no fiscal impact for the Director's Office. The Alcohol and Tobacco Control Division also indicated no fiscal impact as a result of this initiative petition.

The **City of Kansas City** indicated no fiscal impact on the city as a result of this initiative petition.

The **City of Jefferson** indicated they would be required to amend all ordinances that mirror current state statutes modified by this petition. The 1984 National Drinking Age Act required that a portion of all federal highway funds be withheld from any state which did not prohibit purchasing or publicly possessing alcohol by persons less than 21 years of age. However, the National Drinking Age Act did not apply to municipalities. The city receives very little direct federal funding. Most of the direct federal funding received by the city is for bussing. The city receives most federal funds indirectly through the state. That is to say that the state receives funds that are then passed through to the city. The state would most certainly lose a portion of its federal highway funds and thus it seems likely the city would lose some state funds as a result, however, the city would not lose any direct federal funds. The impact to the city would depend on the impact to the state. The city would also lose revenue from Municipal Court fines although the amount lost would be negligible.

The State Auditor's Office did not receive a response from the **Department of Natural Resources, Cole County, Greene County, St. Charles County, St. Louis County,** or the **City of Columbia.**

### **Fiscal Note Summary**

This proposal would cost state and local governmental entities an estimated \$50 million in federal transportation funds, and generate an estimated \$6.91 million in state sales taxes, \$1.89 million in state excise taxes, and \$4.10 million in local sales taxes.

## **MISSOURI STATE AUDITOR'S OFFICE FISCAL NOTE (07-09)**

### **Subject**

House Joint Resolution No. 7 submitting to the voters a constitutional amendment relating to English as the official state language. (Received June 6, 2007)

### **Date**

June 20, 2007

### **Description**

This proposal would amend Article I of the Constitution of Missouri by adding Section 34 to establish English as the language of all official proceedings in the state.

The amendment is to be voted on in November, 2008, or at a special election called by the governor.

### **Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office/Office of Administration**, the **Missouri House of Representatives**, the **Missouri Lottery**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Public Service Commission**, the **Office of the State Public Defender**, the **Missouri Senate**, the **Secretary of State's Office**, the **State Tax Commission**, the **State Treasurer's Office**, **Boone County**, **St. Louis County**, **Greene County**, the **City of Cape Girardeau**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community Colleges**, the **University of Missouri**, and **St. Louis Community College**.

### **Assumptions**

Officials from the **Attorney General's Office** indicated that any potential costs directly relating to this proposal can be absorbed with existing resources. However, the Attorney

General's Office assumes that because this proposal has the potential to be the subject of litigation, costs are unknown, but are likely to be less than \$100,000.

Officials from the **Department of Agriculture** indicated the resolution would have no fiscal impact on their agency.

Officials from the **Department of Economic Development** indicated the resolution should have no administrative or fiscal impact on their agency.

Officials from the **Department of Higher Education** indicated the resolution would have no foreseeable fiscal impact on their agency. It may, however, have some fiscal impact on Missouri's colleges and universities.

Officials from the **Department of Health and Senior Services** indicated the resolution would have no impact on their agency.

The **Department of Insurance, Financial Institutions and Professional Registration** assumes any costs associated with this proposal could be absorbed with existing resources.

Officials from the **Department of Mental Health** indicated this proposed resolution would not have a fiscal impact to the Department.

Officials from the **Department of Corrections** indicated the initiative petition would have no impact on their agency.

Officials from the **Department of Labor and Industrial Relations** indicated no fiscal impact as a result of this resolution.

The **Department of Public Safety** indicated no fiscal impact as a result of this resolution.

Officials from the **Department of Social Services** indicated the resolution would have no fiscal impact on their agency.

Officials from the **Governor's Office/Office of Administration** indicated this proposal should not result in additional costs or savings on their offices.

Officials from the **Missouri House of Representatives** indicated that the resolution does not have a fiscal impact on their organization.

The **Missouri Lottery** indicated no costs or savings associated with this joint resolution.

The **Department of Conservation** indicated the joint resolution would not have a negative fiscal impact on their agency funds.



The **Missouri Public Service Commission** reported no costs or savings to their agency resulting from this resolution.

Officials from the **Office of the State Public Defender** indicated this resolution will have no significant impact on their agency.

Officials from the **Missouri Senate** indicated no fiscal impact as a result of this resolution on their organization.

Officials from the **Secretary of State's Office** indicated they are required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2007, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.2 million to publish (an average of \$193,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

The **State Tax Commission** indicated this resolution will not impact their organization.

Officials from the **State Treasurer's Office** indicated that there is no fiscal impact on their agency as a result of this joint resolution.

The **City of Jefferson** indicated that they do not anticipate any fiscal impact as a result of this resolution. They noted that they do not interpret this amendment to be in violation of Executive Order 13166 which was signed by President Clinton on August 11, 2000. If a court were to rule differently, they indicate that they would lose all federal funding.

The **City of St. Louis** indicated as long as this language is not interpreted in a manner that prohibits the expenditure of public funds for translation of the proceedings or record of such meetings into other languages in use by our citizens, they do not believe this constitutional amendment will have any fiscal impact on the City of St. Louis. If, however, the city is not allowed to expend funds in this manner, they report there will be a substantial negative fiscal impact associated with the city's inability to serve its citizens and inability of its citizens to understand their civic and legal obligations.

Officials from **Rockwood R-VI School District** indicated no fiscal cost related to this proposal.

Officials from **Linn State Technical College** indicated this proposal has no fiscal impact on their organization.

**Metropolitan Community Colleges** indicated this resolution has no significant fiscal impact on their organization.

The **University of Missouri** indicated this resolution has no determinable fiscal impact on the university.

The State Auditor's Office did not receive a response from the **Department of Elementary and Secondary Education, Department of Natural Resources, the Department of Revenue, the Department of Transportation, the Office of State Courts Administrator, Boone County, Greene County, St. Louis County, City of Cape Girardeau, City of Joplin, City of Kansas City, Cape Girardeau 63 School District, Hannibal 60 School District or St. Louis Community College.**

#### **Fiscal Note Summary**

It is estimated this proposal will have no costs or savings to state or local governmental entities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (07-11)**

**Subject**

Initiative petition from Tim Asher and the Missouri Civil Rights Initiative regarding a proposed constitutional amendment to Article I, Section 34. (Received June 15, 2007)

**Date**

July 5, 2007

**Description**

This proposal would amend Article I of the Constitution of Missouri by adding Section 34 to establish the Missouri Civil Rights Initiative. It provides that the state shall not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting.

The amendment is to be voted on in November, 2008.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office/Office of Administration**, the **Missouri House of Representatives**, the **Missouri Lottery**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Public Service Commission**, the **Office of the State Public Defender**, the **Missouri Senate**, the **Secretary of State's Office**, the **State Tax Commission**, the **State Treasurer's Office**, **Boone County**, **St. Louis County**, **Greene County**, the **City of Cape Girardeau**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community Colleges**, the **University of Missouri**, and **St. Louis Community College**.

## Assumptions

Officials from the **Attorney General's Office** indicated that any potential costs directly relating to this proposal can be absorbed with existing resources.

Officials from the **Department of Agriculture** indicated the initiative petition will have no fiscal impact on their agency.

Officials from the **Department of Economic Development** indicated this petition should have no administrative or fiscal impact on their agency.

The **Department of Elementary and Secondary Education** indicated no impact on their agency as a result of this initiative petition.

Officials from the **Department of Higher Education** indicated this initiative would have no foreseeable fiscal impact on their agency.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated that they follow Office of Administration guidelines for procurement and hiring of personnel and will continue to do so. The department assumes any costs associated with this proposal, if passed by the voters, could be absorbed with existing resources.

Officials from the **Department of Mental Health** indicated they do not give preference in employment or contracting to any individual or group on the basis of race, sex, color, ethnicity, or national origin and therefore reports no impact as a result of this petition.

Officials from the **Department of Corrections** indicated the initiative petition would have no impact on their agency.

The **Department of Revenue** indicated this petition will not have a fiscal impact on their agency.

The **Department of Public Safety** indicated there is no fiscal impact for this petition on the director's office.

Officials from the **Department of Social Services** indicated no fiscal impact on their agency as a result of this initiative petition.

Officials from the **Governor's Office/Office of Administration** indicated there would not be any fiscal impact on their agencies as a result of this amendment. However, the Office of Administration would eliminate its Minority and Women Owned Business Program established as part of the criteria in awarding state contracts. They have no way of estimating whether this would reduce or increase future contract costs.

Officials from the **Missouri House of Representatives** indicated that the initiative petition does not have a fiscal impact on their organization.

The **Department of Conservation** indicated that it does not appear that the proposed amendment would have a fiscal impact on their agency.

The **Office of State Courts Administrator** indicated that this initiative petition should not have a fiscal impact on the judiciary.

The **Missouri Public Service Commission** reported no costs or savings to their agency from this measure.

Officials from the **Office of the State Public Defender** indicated this petition will have no significant impact on their agency.

Officials from the **Missouri Senate** indicated no fiscal impact on their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2007, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.2 million to publish (an average of \$193,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

The **State Tax Commission** indicated this petition will not impact their organization.

Officials from the **State Treasurer's Office** indicated that there is no fiscal impact on their agency as a result of this petition.

The **City of Jefferson** indicated that it does not anticipate any fiscal impact should this initiative petition become law.

The **City of St. Louis** indicated this initiative petition would result in a significant fiscal impact to the City for the following reasons.

The language the petition proposes to insert into the Missouri Constitution would prohibit the “granting of preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education or public contracting” by the state and “any political subdivision and any

department, agency, commission, board, or other unit of a political subdivision...” and is to be implemented “to the maximum extent that federal law and the United States Constitution permit.” Remedies for violation of this section shall be the same as or otherwise available for violations of then-existing Missouri antidiscrimination law.

As you may or may not be aware, a variety of contracting processes in the City of St. Louis operate pursuant to Mayor’s Executive Order #28, as extended. This Executive Order sets forth goals for minority and women’s business participation in work related to City contracts for services, supplies and development incentives, and processes that ensure maximum utilization of minority and women’s businesses in performance pursuant to these contracts.

The purpose of this Executive Order is to provide a narrowly tailored remedy for historic discrimination against minority and women business owners.

In addition, the City is contemplating the adoption of legislation that would require minimum percentages of employment of minorities and women on City public works projects.

The purpose of the contemplated legislation is to provide a narrowly tailored remedy for historic discrimination against minority and women individuals.

Our interpretation of the proposed amendment is that it would (a) prohibit the City from operating pursuant to the Executive Order—e.g., it would prohibit us from setting goals for minority and women’s business participation and from using processes designed to ensure maximum utilization of such businesses, and (b) prohibit us from adopting and implementing any ordinance that required contractors to include percentages of minorities in City public works engagements.

The prohibitions set forth in the proposed amendment would significantly and negatively impact the City’s economy and fiscal health in the following ways.

As you may or may not be aware, more than 50% of the City’s population is comprised of members of minority groups. It is widely if not universally believed that these minority group members—in particular African-Americans—have been victims of discrimination. This belief is supported by fact: objective evidence demonstrates that minority group members have lower incomes and net worth than non-minority group members, that minority group owners are under-represented in the regional business community, that businesses owned by minority group members have lower earnings than businesses owned by non-minority group members, and that, unless prompted to do so by some sort of government encouragement, non-minorities in a position to offer opportunities to businesses do not typically offer these opportunities to minority businesses. Thus, minority group members in the St. Louis region do not have the same opportunities for either quality jobs or for successful business ownership as do non-minority group members, and this lack of opportunities translates into lower incomes for minority group members.

Since a majority of the City's population is comprised of minority group members, the lack of such opportunities impacts the City's economy and revenues in a significant way. Lower earning potential for individuals means lower disposable incomes, which in turn means lower payroll-based tax revenues and purchase-based sales tax revenues for the City.

At the time of the 2000 Census, the average income of a Caucasian household in the City of St. Louis was approximately \$33,500; the average income of an African-American household in the City was approximately \$21,000. Thus, an average African-American household in the City had an income of approximately \$12,500—or 37%—less than an average Caucasian household. Had this disparity not existed and if these incomes were equalized, the 66,300 African-American households in the City would have had an additional \$835 million in income. This additional \$835 million in income would be subject to the 1% City earnings tax, generating an additional \$8.35 million in City revenue. Further, if we conservatively assume that 10% of this additional income would have been spent on goods purchased in the City and subject to the City's 2.6% total sales tax, this additional income would have generated an additional \$2.2 million in City sales tax revenue. If the constitutional amendment passes, it will no longer be possible for the City to use narrowly tailored race-based preferences to address this disparity. Failure to eradicate this disparity will result in a loss of future City revenue. Thus, we estimate the long-term fiscal impact of the proposed constitutional amendment at more than \$10.5 million per year.

For the past decade, the City has implemented narrowly tailored policies that are intended to remedy this discrimination. But this discrimination is firmly rooted and systemic and has existed for centuries rather than decades and cannot be remedied in a few short years. Further, the City is continually fine-tuning these narrowly tailored policies in an effort to achieve more success. We still have a long way to go in equalizing the earning power and opportunities available to our minority citizens. If the proposed initiative petition is successful, the City and other political subdivisions throughout the state would no longer be able to use the power of their governments to address issues of fairness and discrimination in our societies. Discrimination and its economic consequences would continue, jeopardizing the economic and fiscal future of the City and its citizens.

Officials from **Hannibal School District #60** reported no costs or savings for their organization as a result of this initiative petition.

Officials from **Rockwood R-VI School District** indicated they do not believe there would be costs or savings related to this petition.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this initiative petition.

**Metropolitan Community Colleges** indicated this constitutional revision has no significant direct fiscal impact on their organization.

The **University of Missouri** indicated they are unable to quantify any fiscal impact this petition may have on their organization.

The State Auditor's Office did not receive a response from the **Department of Health and Senior Services**, the **Department of Natural Resources**, the **Department of Labor and Industrial Relations**, the **Missouri Lottery**, the **Department of Transportation**, **Boone County**, **St. Louis County**, **Greene County**, the **City of Cape Girardeau**, the **City of Kansas City**, **Cape Girardeau 63 School District**, and **St. Louis Community College**.

### **Fiscal Note Summary**

The total cost or savings to state and local governmental entities is unknown. Most state governmental entities estimate no costs or savings, however, costs or savings related to future contracts are unknown. Some local governments estimate no costs or savings, but prohibition of certain municipal policies may result in unknown costs.



**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (07-13)**

**Subject**

Initiative petition from Phil Lindsey and "Show Me The Vote!!" regarding a proposed constitutional amendment to Article VIII, Section 3. (Received July 31, 2007)

**Date**

August 20, 2007

**Description**

This proposal would amend Article VIII of the Constitution of Missouri by revising Section 3 to change election procedures. It requires that all elections conducted in the state after January 1, 2009 be conducted using hand-marked and serially numbered ballots that identify the precinct in which the ballots are cast. It limits the size of each precinct to 600 registered voters and provides that the number of ballots printed for each precinct cannot exceed 160 percent of the number of registered voters in that precinct.

Further, the amendment provides that all ballots at a precinct shall remain in public view at all times, including being placed on a table prior to being cast and being placed in a transparent ballot box after being cast. This amendment requires that all ballots shall be tallied at the precinct prior to being removed to another location. In addition, all ballots must be retained permanently and must be made available within ten working days of a written request for inspection and duplication purposes.

In addition, the amendment requires that all absentee ballots be mailed to the proper precinct, but be held by the United States Post Office until election day at which time they should be delivered by a United States Postal Service employee into the locked, transparent ballot box prior to the poll closing to be counted along with all other ballots cast in that precinct.

The amendment is to be voted on in November, 2008.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the

**Governor's Office/Office of Administration, the Missouri House of Representatives, the Department of Conservation, the Office of State Courts Administrator, the Department of Transportation, the Missouri Senate, the Secretary of State's Office, the State Tax Commission, the State Treasurer's Office, Boone County, Clay County, Cole County, Greene County, Jackson County, Jasper County, St. Charles County, St. Louis County, the City of Columbia, the City of Jefferson, the City of Joplin, the City of Kansas City, the City of St. Louis, the City of Springfield, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, and St. Louis Community College.**

**Phil Lindsey, Chairman of Show Me the Vote!!** provided information to the State Auditor's Office.

### **Assumptions**

Officials from the **Attorney General's Office** indicated that implementing the proposed initiative petition would not directly affect their office. However, they assumed that because this proposal has the potential to be the subject of state and federal litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal would have no administrative or fiscal impact on their agency.

Officials from the **Department of Higher Education** indicated that if enacted, this constitutional change would potentially have an unknown fiscal impact on their agency. The department administers voting on initiatives that address the creation of new community college districts. The main impact of this constitutional change would be adding an additional level of cooperation with local elections officials to ensure that community college district elections were conducted in accord with the new legal requirements. The fiscal impact of this cooperation is currently unknown.

The **Department of Health and Senior Services** indicated no impact as a result of this initiative petition.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this proposed amendment will have no cost to the department.

Officials from the **Department of Mental Health** indicated no impact on their agency as a result of this petition.

Officials from the **Department of Corrections** indicated the initiative petition would have no impact on their agency.

The **Department of Revenue** indicated this petition will not affect their agency.

The **Department of Public Safety** indicated there is no fiscal impact for this petition on the director's office.

Officials from the **Department of Social Services** indicated no fiscal impact on their agency as a result of this initiative petition.

Officials from the **Governor's Office/Office of Administration** indicated this proposal should not result in additional costs or savings to their agencies. Upon inquiry by the SAO, OA indicated that their estimate did not consider any possible state implications pursuant to Article X, Section 21 of the Missouri Constitution.

Officials from the **Missouri House of Representatives** anticipates no fiscal impact from the initiative petition.

The **Department of Conservation** indicated no fiscal impact expected to their agency as a result of proposal.

Officials from the **Missouri Senate** indicated no fiscal impact on their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2007, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.2 million to publish (an average of \$193,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. The SOS also assumed that the proposed initiative petition will have an impact on local election authorities when conducting an election. The SOS also assumed an unknown state fiscal impact related to sporadic special elections. Upon inquiry by the SAO, SOS indicated that their estimate did not consider any possible state implications pursuant to Article X, Section 21 of the Missouri Constitution.

The **State Tax Commission** indicated this petition will not impact their organization.

Officials from the **State Treasurer's Office** indicated that there is no fiscal impact on their agency as a result of this petition.

Officials from **Boone County** assumed that if that if the initiative petition were to become law they will continue to have to comply with federal law to provide “second chance” voting and accessible voting equipment. The 600 registered voters per polling place results in an additional 84 polling places per election for Boone County.

Boone County estimates that \$10,400 per poll in start-up costs would be needed for 1 voting device that is accessible to disabled voters, 1 precinct ballot counter, 1 laptop and 1 pager resulting in a total of \$873,600.

Further, Boone County estimates that ongoing costs for additional 84 places to be \$67,200 per election. Their estimate for 2008 costs provide for a 4-election year and average costs per year based on 3-election year, resulting in 2008 costs of \$268,880 and on-going average costs per year of \$201,600.

Boone County estimates that numbered ballots cost \$.03 per ballot resulting in costs of \$35,784 for 2008 and an average cost per year of \$26,838.

With regard to hand counting of ballots, Boone County assumes that each race must be counted 2 times until matched. The estimate provided is based on current time taking to count 600 ballots in post election hand count audits. Boone County estimated 3 hours per race per precinct with 2 bipartisan teams counting at a cost of \$8.22 per hour. Examples of these estimates are below:

Presidential primary – 1 race 160 precincts 30% turnout \$5,300  
April Municipal – 5 races 160 precincts 20% turnout \$15,782  
August Primary – 23 races 160 precinct 20% turnout \$73,600  
November General – 23 races 160 precincts 75% turnout \$276,000

In total, the hand counting of ballots is estimated to cost \$370,682 in 2008 and average \$278,010 in subsequent years.

Boone County estimated total costs for 2008, including \$873,600 in one-time startup equipment, to be \$1,548,946 with the total average cost per three-election year to be \$506,448.

No estimated cost is provided relating to the permanent storage of ballots.

Officials from **Cole County** indicated that if this proposed amendment passed that it would cost every county more than what they could afford. For Cole County, they would go from 38 precincts to 84 precincts. This would increase poll workers from 152 per election to 336 poll workers. These changes would cost an additional \$13,040. The cost of renting polling place facilities would increase from \$1,900 to \$4,200. New ballot boxes would have to be purchased at a cost of \$7,140. Further, they estimate that the cost for the printing of ballots would be \$45,000 with a miscellaneous cost of \$3,500. The total cost of running an election according to these provisions would be \$91,760.

The average cost of running an election now is \$48,000 resulting in an increase cost to the county of an extra \$43,760.

Cole County indicated that they could not afford the increase of \$43,760 in election costs and that they would have a difficult time finding an additional 184 poll workers.

Officials from **Jackson County** estimate the following annual costs if this constitutional amendment were to be voted into law:

Section #3 Paragraph #2: Jackson County would have to create an additional 75 precincts. These precincts cost about \$3,150 each for staff and operating expenses. For 75 precincts they estimate the increase to Jackson County to be \$236,250.

Section #3 Paragraph #3: -Jackson County would have to purchase 375 new transparent ballot boxes \$66,000. Jackson County would have to purchase an additional 225,000 ballots at \$0.23 each costing \$32,000.

Section #3 Paragraph #5: They do not have a cost estimate for #5 which states that Jackson County would have to maintain permanently and forever all ballots. The first few elections after this law were enacted would not create a hardship for Jackson County, but ten to fifteen years from now, they indicated they would have to have a new warehouse built simply to maintain the log of ballots.

They estimate the on-going per election costs to be \$268,250 with an unknown but substantial cost for maintaining all ballots into perpetuity.

Officials from **Jasper County** estimate that it would cost their entity at least \$750,000 to implement the provisions of the proposed amendment to Article VIII, Section 3 of the Missouri Constitution. They report that they would be required to add an additional 72 polling places to accommodate the 600 voter precinct provision. This would require the purchase of two times the voting equipment currently in use and an increase of 288 election judges. They would also have to purchase 125 transparent ballot boxes compatible with their current election equipment. To store ballots for each election permanently, in addition to storing added equipment, would require them to obtain additional facilities specifically for that purpose. There would also be an additional cost for the printing of ballots due to the required serialization of each ballot to match the precinct. Further, the implementation of this amendment could require that the county purchase all new voting equipment at a cost of close to a million dollars. Taking all of this into consideration, the county concludes that the passage of this amendment will result in initial implementation costs anywhere from \$750,000 to \$1,250,000 and could add, on an annual basis, an additional cost of \$50,000 to each election.

Jasper County provided the following additional breakdown of their estimated costs: \$10,000 per new polling place for voting machines for a total of \$720,000 and \$12,500 for transparent ballot boxes for a total of \$732,500 in one-time costs; \$28,800 for

additional election judges and \$115,984 for printing of required ballots for each election; \$6,000 per year for storage of additional voting machines.

The **City of Jefferson** indicated that after discussing this matter with the County Clerk and considering the number of shared and city only elections, the city anticipates a fiscal impact of \$32,000 per year.

The **City of St. Louis** indicated that they consulted with the city's Board of Election Commissioners to determine the fiscal impact this amendment to the Missouri Constitution would have on the city if adopted. The information below from this Board provides detail on their calculations; the following table summarizes the Board's calculations. In summary, they estimate that the one-time immediate fiscal impact of this initiative petition will be \$272,537 and that the recurring average annual fiscal impact will be \$305,502 per year.

**CITY OF ST. LOUIS BOARD OF ELECTION COMMISSIONERS COST ESTIMATES**  
FOR IMPLEMENTATION OF "SHOW ME THE VOTE"--INITIATIVE PETITION 07-13

	ELECTION DATES			TOTAL ANNUAL
	Feb-08	Aug-08	Nov-08	
<b>RECURRING COSTS:</b>				
Cost of Additional Ballots Required:	\$905	\$905	\$2,500	\$4,310
Cost of Additional Election Judges Due to Adding Precincts:	\$57,672	\$57,672	\$57,672	\$173,016
Other Additional Costs Due to Adding Precincts:	\$2,160	\$2,160	\$2,160	\$6,480
Additional Polling Place Supervisors Required Due to Adding Precincts:	\$11,232	\$11,232	\$11,232	\$33,696
Cost of Paying Postal Workers to Deliver Absentee Ballots:	\$42,500	\$42,500	\$42,500	\$127,500
Cost of Hiring Staff to Make Original Ballots Available:	\$7,200	\$7,200	\$7,200	\$21,600
<b>Total Annual Cost for 3-Election Year:</b>				<b>\$366,602</b>
<b>Total Annual Cost for 2-Election Year:</b>				<b>\$244,401</b>
<b>Average Annual Cost Assuming 2 or 3 Elections Per Year:</b>				<b>\$305,502</b>
<b>ONE-TIME COSTS:</b>				
Cost of Purchasing Transparent Ballot Boxes:				\$156,000
Cost of Additional Printing Plates Required Due to Adding Precincts:				\$116,537
<b>Total One-Time Costs:</b>				<b>\$272,537</b>

Subsection (1) requires all ballots to be cast by a hand-marked paper ballot. This would eliminate the use of touchscreen machines to cast ballots and would increase the number of paper ballots we would need to purchase. Approximate cost of additional paper ballots (would need to order 8,500 additional ballots for 2/08 election; 18,900 additional ballots for 8/08 election, 42,500 additional ballots for 11/08 election) – \$4,111.00. (\$2,500.00 of this \$4,111.00 would be attributed to the 11/08 election).

Subsection (2) requires that all precinct should be no larger than 600 registered voters. There are a number of precincts that have over 600 registered voters. To ensure that every precinct had less than 600 registered voters, we would need to add approximately 216 precincts. This computation would require us to hire, at a minimum, approximately 3 extra election judges per additional precinct per election. 216 additional precincts \* 3 election judges \* 3 elections in 2008 \* \$89/per judge per election = \$173,016.00

Subsection (2) requires that all precincts should be no larger than 600 registered voters. There are a number of precincts that have over 600 registered voters. To ensure that every precinct had less than 600 registered voters, we would need to add approximately

216 precincts. These additional precincts would require additional non-ballot printing costs and supplies for each election valued at approximately \$10 per precinct per election.  $216 \text{ precincts} * \$10 \text{ in additional printing/supplies} * 3 \text{ elections in 2008} = \$6,480.00$

Subsection (2) requires that all precincts should be no larger than 600 registered voters. There are a number of precincts that have over 600 registered voters. To ensure that every precinct had less than 600 registered voters, we would need to add approximately 216 precincts. This computation would require us to hire an extra team of 2 polling place supervisors for 25% of the new precincts per election.  $216 \text{ precincts} * 2 \text{ supervisors} * 25\% \text{ of precincts} * \$104/\text{supervisor} * 3 \text{ elections in 2008} = \$33,696.00$ .

Subsection (2) requires that all precincts should be no larger than 600 registered voters. In addition, subsection (2) requires all ballots to “identify the precinct in which the ballots are to be cast.” There are a number of precincts that have over 600 registered voters. To ensure that every precinct had less than 600 registered voters, we would need to add approximately 216 precincts. This would bring our total number of precincts to approximately 425. Notwithstanding the increase in the number of paper ballots that would need to be processed under subsection (1), the printer would have to create and print paper ballots from 216 extra plates to accommodate the requirement that each ballot “identify[] the precinct in which the ballot [is] to be cast.” This requirement would increase any printing costs by 75%. Our printing costs increases due only to the extra plates that would be required would be \$16,697.25 for 2/08 election, \$29,329.00 for 8/08 election, and \$70,511.00 for the 11/08 election. Total increased ballot printing costs in 2008 due to extra plates = \$116,537.25

Subsection (3) requires ballots to be cast “into a transparent locked ballot box visible to the public.” Approximate cost of transparent ballot box – no less than \$1,200 per ballot box  $* 130 \text{ ballot boxes} = \$156,000.00$

Subsection (4) requires that a U.S. Postal Service employee would need to deliver all absentee ballots to their respective precincts on election day. The cost of this is difficult to ascertain, however, assuming the City would be required to increase our precinct number to 425, we would need one postal worker to deliver the absentee ballots to each precinct on election day. Assuming the cost to have one U.S. Postal worker sort and personally deliver the absentee ballots to one precinct is \$100.00, our cost would be  $425 \text{ precincts} * \$100 \text{ per U.S. Postal Worker} * 3 \text{ elections in 2008} = \$127,500.00$ .

Subsection (5) requires that each local election authority shall make available all original ballots for inspection and duplication purposes to all interested parties within 10 working days of a request. This would require us to hire two bi-partisan teams (4 temporary employees) for forty hours per week at approximately \$9/hour for five weeks following an election to supervise and monitor any such inspection.  $4 \text{ employees} * 40 \text{ hours per week} * 5 \text{ weeks} * \$9/\text{hour} * 3 \text{ elections in 2008} = \$21,600.00$ .

2008 COSTS FOR ADDITIONAL BALLOT PRINTING - \$4,111.00 (\$2,500 for 11/08 election)

2008 COSTS FOR ADDITIONAL ELECTION JUDGES - \$173,016.00 (\$57,672.00 for 11/08 election)

2008 COSTS FOR ADDITIONAL POLLING PLACE SUPPLIES - \$6,480.00 (\$2,160.00 for 11/08 election)

2008 COSTS FOR ADDITIONAL POLL SUPERVISORS - \$33,676.00 (\$11,225.33 for 11/08 election)

2008 COSTS FOR ADDITIONAL BALLOT PRINTING DUE TO PLATE CHANGES - \$116,537.25 (\$70,511.00 for 11/08 election)

2008 COSTS FOR TRANSPARENT BALLOT BOXES - \$156,000.00 (one time cost)

2008 COSTS FOR U.S. POSTAL WORKERS - \$127,500.00 (\$42,500.00 for 11/08 election)

2008 COSTS FOR BALLOT INSPECTION - \$21,600.00 (\$7,200.00 for 11/08 election)

APPROXIMATE 2008 ADDITIONAL COSTS IF INITIATIVE PETITION 07-12 WAS IN EFFECT: \$638,920.25

APPROXIMATE ADDITIONAL COSTS FOR 11/08 ELECTION IF INITIATIVE PETITION 07-12 WAS IN EFFECT (including full price of ballot boxes): \$349,768.33

These are all estimates (especially the cost of the ballots) and depend upon such factors as the paper market at the time of an election, the number of registered voters that move in and out of any given precincts, the cost of labor at the time of an election, and the cost of outside required employment (i.e. U.S. Postal Service).

The following is a table compiled by the **State Auditor's Office** to summarize the costs as reported by the county entities and estimate the potential future statewide impact, and assumes no state implications pursuant to Article X, Section 21 of the Missouri Constitution:

County	Registered Voters				Costs		Annual Cost/Reg Voter (Est 2008)
	2000*	2004*	% Increase	Est 2008	One-Time	Annual**	
St. Louis City	244,995	281,316	14.83%	323,022	\$ 272,537	\$ 366,602	1.13
Boone	106,671	112,682	5.64%	119,032	\$ 873,600	\$ 506,448	4.25
Cole	47,898	51,284	7.07%	54,909	\$ 7,140	\$ 191,520	3.49
Jackson	215,574	236,269	9.60%	258,951	\$ 66,000	\$ 804,750	3.11
Jasper	67,251	80,344	19.47%	95,986	\$ 732,500	\$ 440,352	4.59
						AVG	\$ 3.31
Statewide	3,860,672	4,194,146	8.64%	4,556,425		Est 2008 Statewide Annual Total (excl. one-time)	\$15,102,703.11

\*Secretary of State, Registered Voters in Missouri, 2000-2006,



<http://www.sos.mo.gov/elections/registeredvoters.asp?rvmID=0004>

\*\*Costs estimated by each entity for a three-election year

Officials from **Rockwood R-VI School District** indicated that they are not qualified to comment upon the cost or savings related to this initiative petition.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this initiative petition, however, they do believe that additional costs would occur at the county level.

The **University of Missouri** indicated this amendment would have no identifiable fiscal impact on their organization.

**Mr. Phil Lindsey, Chairman of Show Me The Vote!!** provided the following information:

Web site links:

[http://www.democracyfornewhampshire.com/files/Hand\\_count\\_training\\_D-fest\\_July\\_5\\_2007.pdf](http://www.democracyfornewhampshire.com/files/Hand_count_training_D-fest_July_5_2007.pdf)

[http://www.opednews.com/articles/opedne\\_sheila\\_p\\_070718\\_on\\_site\\_observations.htm](http://www.opednews.com/articles/opedne_sheila_p_070718_on_site_observations.htm)

He also provided the following comments:

1) In special elections, as the upcoming one to fill Charles Gross' vacant Missouri Senate seat, or in the Independence, Missouri special sales tax, turnout is often thin and the population affected is often small. In such circumstances, Boards of Elections sometimes bemoan the cost of the elections because the preparation is often as costly as it is for a general election.

Using hand-marked paper ballots, the election authority needs to use only enough material and personnel to cover their actual needs. Consequently, they may choose to have fewer ballots printed and use fewer poll workers for those elections, thus saving money.

2) With hand-counted paper ballots, particularly in instances such as those in section 1), there are savings by not having to rely on the electronic voting machine vendors "specialists", "programmers" and other auxiliary personnel, in the event of malfunctions, loss of power, unexplained "glitches", memory or component failures, etc.

With hand-counted paper ballots, all the necessary expertise is constantly at the beck and call of the election officials, via their own staff and the efforts of those citizens who are called upon to do the precinct counting work.

3) The third component is the distribution of all election costs and their impact upon Missouri and its citizens.

With hand-counted paper ballots, the local election authorities will easily be able to find local Missouri-domiciled printers to produce the necessary serially-marked ballots, while the counting of those ballots will be done by Missouri citizens. Consequently, there will be no need to send any of our tax monies to out-of-state vendors in order to facilitate our elections. All monies spent for elections will, ultimately, inure to the benefit of Missouri citizens.

In short, whatever monies are necessary to run elections using the hand-counted paper ballots will be used to support Missourians and Missouri businesses. There is no "expertise gap" which would force the election authorities of our state to have to seek help, or vendors, from outside our own borders.

The State Auditor's Office did not receive a response from the **Department of Agriculture, Department of Elementary and Secondary Education, the Department of Natural Resources, the Department of Labor and Industrial Relations, the Department of Transportation, the Office of State Courts Administrator, Clay County, Greene County, St. Charles County, St. Louis County, the City of Columbia, the City of Joplin, the City of Kansas City, the City of Springfield, Cape Girardeau 63 School District, Hannibal 60 School District, Metropolitan Community College, and St. Louis Community College.**

### **Fiscal Note Summary**

Most state governmental entities estimate no costs or savings, however, state costs related to special elections are unknown. Annual costs for local governments are estimated to exceed \$15,000,000 with additional unknown costs for permanent ballot storage. One-time costs for some local governments may be significant.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (07-16)**

**Subject**

Initiative petition from Lori Buffa regarding a proposed constitutional amendment to be known as Article III, Section 38(e). (Received September 5, 2007)

**Date**

September 25, 2007

**Description**

This proposal would amend Article III of the Constitution of Missouri by adding Section 38(e). This new section makes it unlawful to clone or attempt to clone a human being as defined in the section. In addition, this section prohibits the use of tax payer dollars for cloning or attempting to clone a human being or to research or experiment using human embryos derived from cloning or attempting to clone a human being.

The amendment is to be voted on in November, 2008.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office/Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, **Cole County**, **Greene County**, **Jackson County**, **St. Louis County**, the **City of Columbia**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community Colleges**, the **University of Missouri**, **St. Louis Community College**, the **University of Central Missouri**, **Harris-Stowe State University**, **Lincoln University**, **Missouri State University**, **Missouri Southern State University**, **Missouri Western State University**, **Northwest Missouri State University**, **Southeast Missouri State University**, **Truman State University**, the **Missouri Technology Corporation**, and the **Missouri Life Sciences Research Board**.

**Brad Ketcher of the Ketcher Law Firm, LLC** provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** indicated that any potential costs arising from the implementation of this proposal can be absorbed with existing resources. However, they assumed that because this proposal has the potential to be the subject of state and federal litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal would have a significant negative impact on General Revenue, federal funds and local funds. The department anticipates a negative impact on public and private research institutions as well as on economic development efforts of local and regional government. In addition, they indicate that the passage of this constitutional amendment could have significant impact on small technology business growth and development.

The department assumes that placing the issue on the ballot by initiative petition will have no impact on General Revenue. However, they indicate that passage of the ballot initiative could have impact on the general revenue of this state. While the department did not make any fiscal projections, they do anticipate that this could have a significant economic impact and therefore impact general revenue.

This bill should have no known direct administrative or fiscal impact on the department. However, they do indicate there is a possibility that impact on the state general revenue could impact their agency to an unknown extent. If passed, this proposal could impact the department's mission to attract and retain business as well as grow business within the state.

The department also indicated that passage of the constitutional amendment could have significant economic impact on future research, entrepreneurship, and business development within Missouri. The department did not conduct any specific fiscal or economic projections on the impact of the constitutional amendment. However, they do anticipate that future projects and opportunities could be put at risk by passage of this amendment.

The **Department of Health and Senior Services** indicated no impact as a result of this initiative petition.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this proposed amendment will have no cost to the department.

The **Department of Public Safety** indicated there is no fiscal impact for this petition on the director's office.

Officials from the **Governor's Office/Office of Administration** indicated passage of this proposal should not result in additional costs or savings to their agencies.

Officials from the **Missouri House of Representatives** anticipates no fiscal impact as a result of the initiative petition.

The **Department of Conservation** indicated no fiscal impact expected to their agency as a result of proposal.

The **Office of the State Courts Administrator** indicated that the proposed initiative petition should not have a fiscal impact on the judiciary.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2007, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.2 million to publish (an average of \$193,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this proposed constitutional amendment will have no significant impact on their office.

The **State Tax Commission** indicated this petition will not impact their organization.

Officials from the **State Treasurer's Office** indicated that there is no fiscal impact on their office as a result of this petition.

The **City of Jefferson** indicated that they do not anticipate any fiscal impact should this petition become law.

Officials from the **City of Kansas City** indicated this proposal will restrict the medical research performed in Kansas City by forbidding certain stem cell research, including somatic cell nuclear transfer.

It is estimated that the City received earnings taxes of almost \$171,000 in 2006 just from the work force at the Stowers Institute for Medical Research/Stowers Institute for Resource Development. It is also estimated that the State of Missouri earned almost

\$763,000 in state income taxes. The Greater Kansas City Community Foundation reported in 2005 that the Stowers Institute for Medical Research is projected to increase funding each year by 20% to 25%, so that by 2015 it will be conducting \$300 million of research annually. That represents a continuous significant increase in earnings tax receipts (1% of gross salary). The Stowers Institute has doubled in personnel since 2005 and is estimated to increase again by another 50%, to about 550 scientists, researchers, staff support and other employees.

Although not pinpointed by city, but rather by the Kansas City, Missouri-Kansas area, the Kansas City Area Life Sciences Institute has estimated that 58% of the life science companies will increase employment over the next 36 months - assuming no change in the regulatory environment for this research. The Kansas City Area Life Sciences Institute reports that three dozen of the 145 companies or private organizations - one in four - involved in human life science research in the region are located within Kansas City.

The Kansas City Area Life Sciences Institute estimates that the counties in which Kansas City is located contain over 8,000 jobs in the life sciences. Of course, not all of those jobs relate to research involving SCNT, but the important fact is that there is in the Kansas City, Missouri - Kansas area significant life sciences jobs. That these jobs can be clustered sustains the larger growth in this field of medical research. Eliminating research using SCNT will erode the cluster effect of the remaining jobs and increase the adverse financial impacts felt by the area. Therefore, the loss of earnings tax should be considered the lowest amount of adverse financial impact since adoption of the proposed Constitutional Amendment will result in a reduced cluster of jobs.

The lost of employment represented by earnings tax of \$171,000 is roughly \$17.1 million in gross earnings. The loss of sales tax from the transfer of those jobs to another state where SCNT research would be lawful is significant. The City of Kansas City estimates in its current budget earnings tax receipts of \$199,250,000 and sales tax receipts of \$157,781,250, or about 79% of the earnings tax. If that ratio remained constant, the loss of \$171,000 in earnings tax represents an additional loss of about \$135,000 in sales tax just from the loss of the Stowers Institute for Medical Research / Stowers Institute for Resource Development and all of its jobs. Again, these estimates are the lowest estimates because of the planned expansion of the Stowers Institute - if the legal environment for stem cell research as guaranteed by current law is continued.

The financial impact of these jobs leaving the Kansas City area also will include the loss of the multiplier affect as payroll is recirculated within a local economy.

The **City of St. Louis** indicated that the fiscal impact of the proposed constitutional amendment will be both extremely serious and extremely negative with \$14.3 million in annual lost revenue as a conservative estimate of this negative impact on the city.

The new initiative petition filed by opponents of stem cell research purports to ban “human cloning.” In addition to what is commonly thought of as “human cloning”—a

practice already banned by the Missouri Constitution—the amendment will ban one of the most promising new types of stem cell research, somatic cell nuclear transfer or “SCNT,” a procedure for medical research or for treating disease that involves replicating (or “cloning”) a patient’s own skin cell in a lab dish in order to create healthy new cells to help treat his or her disease. This process is currently permitted by the Missouri Constitution but would be banned if the proposed amendment is passed. SCNT is also sometimes referred to as “therapeutic cloning” because the cells are copied for the purpose of providing or developing a therapy for a patient’s disease or injury.

The economy of the City of St. Louis is closely tied to the City’s image as a cutting edge center for medical research. The City of St. Louis ranks 12th in a listing of the Top 100 Cities for grants from the National Institutes of Health, with \$441 million in grants flowing into the City in 2005 from NIH sources. This \$444 million represents 85% of all NIH support flowing into the State of Missouri. These grants support our hospitals and medical schools (Washington University School of Medicine, St. Louis University, Barnes-Jewish Hospital, and St. Louis Children’s Hospital), and, assuming that 60% of the funding pays salaries, account for approximately 5,300 jobs in the City. If only half of these jobs are lost—and it is a given that many of these jobs will be lost over time if this amendment is passed—the City will lose \$1.3 million in revenue each year— $\$50,000 \times 5,300 \times 50\% \times .01$  City earnings tax.

As the following table shows, the City’s hospitals alone account for nearly 19,000 jobs in the City, and other medical, professional and scientific and technical occupations account for an additional 15,000 jobs. Thus, 34,000 of the City’s 221,000 jobs—nearly 17%—are related to medical research and treatment and related professional occupations. Many additional jobs reside in the City’s colleges and universities—because colleges and universities do not report their employment data in the same manner as other places of business, detailed job and wage data for colleges and is not available from the U. S. Bureau of Labor Statistics.

A threat to ban and criminalize any type of medical research puts a black cloud over our entire state. Scientists in general will view Missouri as a regressive and unfriendly place for life sciences research, and those who make careers of cutting-edge research will not locate in Missouri. In recruiting scientists and companies, perception of the research environment is very important. Some scientists have already said that they would not come to Missouri due to threats to overturn Amendment 2 and potentially criminalize research. The initiative petition now proposed will have a drastic impact on our universities and medical schools. These schools are the engines that drive both our existing medical and research facilities and the promise of a thriving concentration of young and mature science-based companies, like those who are beginning to occupy the CORTEX campus.

The proposed amendment will not only discourage growth in the institutions and businesses directly impacted by the amendment—the deleterious impact on health care over time will also impact the quality and size of our hospitals and our City’s ability to attract and retain talent and employers from any industry. Quality of life, in particular

quality of available medical care, has become a top issue in the selection of company locations. St. Louis enjoys access to some of the world's premier health care facilities in Washington University, the BJC Medical Center, and Saint Louis University, all of which are teaching hospitals. The regressive negative intellectual environment created by opposition to the newest medical research and treatments will certainly erode this quality of care as it will no longer be possible to attract top students for these schools and top professionals to staff the hospitals. This proposed Constitutional Amendment banning promising forms of stem cell research would also criminalize any patient who might one day get a cure from such a procedure, thus costing these hospitals patients. Again, restricted access to the newest areas of medicine erodes the quality of life we take for granted from the great medical institutions available to us now.

#### RESEARCH-RELATED JOBS AND WAGES IN THE CITY OF ST. LOUIS

Source: U. S. Bureau of Labor Statistics--2006

TYPE	BUSINESSES	JOBS	TOTAL ANNUAL WAGES	% OF TOTAL BUSINESSES	% OF TOTAL JOBS	% OF TOTAL WAGE BASE
Medical Equipment & Supplies Manufacturing	15	516	19,613,949	0.19%	0.23%	0.19%
Professional, Scientific & Technical Services	889	14,642	952,212,500	11.11%	6.63%	9.12%
Hospitals	13	18,634	769,206,410	0.16%	8.43%	7.37%
<b>TOTALS--LIFE SCIENCES RELATED:</b>	<b>917</b>	<b>33,792</b>	<b>1,741,032,859</b>	<b>11.46%</b>	<b>15.29%</b>	<b>16.67%</b>
<b>City of St. Louis Totals:</b>	<b>8,000</b>	<b>221,000</b>	<b>10,442,455,000</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

A 10% loss of jobs in the three categories shown in the above table will cost the City more than \$10 million each year in direct loss of the 1% City earnings tax from these employees. It is also safe to say that this 10% loss will have a similar ripple effect in the thousands of other employees who serve the needs of the hospitals—laundry services, transportation, construction, wholesale food sales, and others.

In addition, passage of the proposed amendment will cost the City growth. The Battelle Institute of Cincinnati has already predicted that if current trends (absent this amendment) continue, Missouri will be eclipsed as a life science-driven economy by other states and regions. On the other hand, Battelle also predicts that if the state aggressively pursues the life sciences and makes the necessary investments over the next ten years in the research capacity and technology commercialization areas, the state would add more than 21,000 permanent jobs in life science industries, for the most part well-paid, quality employment. Conservatively assuming that one fourth of these jobs would be located in the City, given the City's predominance as a center for medical research, further assuming conservatively that each new job had a salary of \$50,000 per year, and further assuming that this salary grew by 3% each year, the loss of these new jobs to the City would cost the City an average of \$3 million per year once these jobs were fully situated. Again, it is also safe to say that this loss will have a similar ripple effect in the thousands of other employees who could be hired to serve the needs of the growing hospitals and



research/development businesses—laundry services, transportation, construction, wholesale food sales, and others.

In summary, we therefore conservatively estimate that the proposed amendment will cost the City of St. Louis a minimum of \$14.3 million per year in direct general revenue—approximately 3.5% of the City's general revenue budget—and countless millions more in indirect revenue. This is a loss that the City cannot tolerate in the face of rising costs and rising service needs.

As the Battelle Institute report stated in 2003, "If Missouri does not choose its 'fork in the road' consciously, deliberately, and with full knowledge of the consequences, it may take a fork that neither it nor its citizenry chooses. ...one fork may take Missouri to 21,000 additional well-paying jobs, \$7.2 billion in additional gross regional product, and more than \$3.9 billion in real disposable income over the next decade. The other fork may not only cost the state these jobs, but, if the state and the private sector simply continue existing trends, it may also mean further significant job and economic losses in key life science industries such as drugs and pharmaceuticals and medical devices."

A ban on SCNT will seriously harm the Missouri economy and its life science industry, in particular that industry in the City of St. Louis. The threat of such a ban has already caused harm in Kansas City, where the noted Stowers Institute has been unable to recruit the scientists necessary to carry out the Institute's work. If the Institute expands in another state, Missouri will lose millions of dollars in economic benefit directly related to stem cell research that is not "human cloning." Human cloning is currently banned by the Missouri Constitution. Opponents of stem cell research have falsely claimed that human cloning is not banned, because they also want to forbid promising medical procedures that require the copying of cells. However, the terminology, the concepts, and the distinction used in the Missouri Constitution are the same as used by America's most respected doctors and scientists.

America's most respected doctors and scientists believe that "reproductive cloning" should be banned, but that "therapeutic cloning" should be encouraged because it holds great medical promise to lead to cures for debilitating diseases—this is also the current philosophy espoused in the Missouri Constitution. In 2002, forty Nobel Prize Winners sent a letter to members of the U.S. Senate making this important distinction. Nobel Prize-winning Scientist Paul Berg has stated that "cloning humans and 'therapeutic cloning' are fundamentally different. The cloning of a human being should be prohibited. Therapeutic cloning, on the other hand, is meant to produce stem cells, not babies." What the proposed amendment would ban is the same procedure that stem cell research opponents have tried unsuccessfully to ban in the legislature for the past five years. The passage of the "Stem Cell Amendment" in late 2006 ended the legislative battle. That battle has now moved to the voting booth with the proposal for this amendment.

In an effort to help quantify the economic impact of a new effort to undo Missouri's constitutional research and cures protections, the Coalition for Plant and Life Sciences, the Center for Emerging Technologies, and the Nidus Center for Scientific Enterprise

collaborated on a survey of St. Louis science and technology-based companies and St. Louis investment firms and organizations that specialize in investments with science-based companies. This survey sought to measure the potential impact of this new proposal.

Responses were received from eleven science and technology companies. The results, summarized below, clearly demonstrate that an overwhelming majority of the leaders of these companies would find the amendment to be a severe impediment to growing their companies in Missouri, that a majority of respondents would consider moving their companies out of Missouri if the amendment passes, and that a majority of respondents believe that the amendment would be perceived as an anti-research initiative that would make Missouri an unattractive location for the high growth science-based companies that have become a major part of the City's bread and butter.

- 55% said the new amendment would make them less likely to keep their company in Missouri
- 45% said it would have no effect
- 0% said it would make them more likely to remain in Missouri
- 73% said the new amendment would make it more difficult to recruit scientists and other talent to Missouri
- 18% said it would have no effect
- 9% said it would make it easier to recruit scientists and other talent to Missouri
- 73% said the new amendment would make it more difficult to attract investors and capital to their company in Missouri
- 27% said it would have no effect
- 0% said it would make it easier to attract investors
- 73% said the new amendment would increase the pressure to relocate their company to another state
- 27% said it would have no effect
- 0% said it would decrease the pressure to relocate
- 73% said the new amendment would increase the likelihood that existing companies would avoid Missouri when considering whether to locate here
- 18% said it would help attract companies to Missouri
- 9% said it would have no effect
- 82% said the new amendment would make entrepreneurs considering starting a company in Missouri more likely to start their company in another state
- 18% said it would have no effect
- 0% said it would make entrepreneurs more likely to start their company in Missouri

The seven Missouri-based venture capital firm and investor organization respondents were unanimous in their agreement that this newly proposed amendment would harm Missouri's business climate by overturning our current protections for science and research.

- 100% said the new amendment would make it more difficult to relocate existing companies to Missouri
- 0% said it would be easier to relocate companies to Missouri
- 100% said the new amendment would make it more difficult to establish new companies in Missouri.
- 0% said it would be easier to establish companies in Missouri

It is important to note that none of the surveyed companies or investors is involved in stem cell research. That being the case, these results are evidence of the serious harm that this proposed amendment would wreak, not just on companies involved in stem cell research but on the wide variety of companies in Missouri that depend on scientific research for their survival and growth. Any threat to science of any type creates a chilling environment and negatively affects our business climate.

While it is not possible to quantify the results of this survey in terms of specific economic impact on the City of St. Louis, we believe these results clearly support the above assertions that if the amendment passes the City will lose both existing jobs and new opportunities, and as a result will lose, at a minimum, the \$14 million per year in revenue referenced above.

In summary, the negative impact on the amount of research and the consequential economic development emerging from the scientific research that would result from the proposed amendment would impact the City of St. Louis disproportionately: the City would suffer a very substantial reduction in scientific and medical activity and the sacrifice of significant future growth potential. As the chart above shows, medical research and treatment are extremely significant parts of St. Louis's current economy; as the CORTEX initiative and the Battelle report demonstrate, these economies are also very important parts of our future. As the survey results demonstrate, businesses involved in scientific research of all types and the businesses involved in raising capital for these research businesses would seriously question their futures in Missouri. Given the negative attitudes of businesses already ensconced in Missouri to the passage of this amendment, it is also obvious that businesses outside Missouri would have equally if not more strongly negative attitudes and would not locate in the City of St. Louis or Missouri.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this initiative petition.

**Metropolitan Community College** indicated this proposed amendment would have no significant fiscal impact on their organization.

The **University of Missouri** indicated the proposed amendment's greatest potential impact is on the University's ability to retain and recruit top researchers who will contribute to the research enterprise to the ultimate benefit of the state's economy. The perception that a state has a hostile attitude toward research can have a dampening effect on recruitment and retention of faculty. Legal restrictions on research, such as those this amendment would impose, will have a deleterious effect on faculty perceptions and a negative impact on the University's ability to conduct cutting edge research.

Competition to retain and attract research faculty is exceedingly high. Faculty consider many factors when deciding whether to stay in current positions or accept offers in other states include: supportive environment for research, level of state and private support, institutional reputation, and availability of modern research facilities. However, a faculty member's career decisions are personal in nature. Thus it is not possible to determine with any precision the costs in terms of lost productivity, grants, human capital, and subsequent impact on the state economy.

The **University of Central Missouri** indicated this initiative will not affect their organization as they do not engage in stem cell research or medical research involving human organisms.

Officials from **Lincoln University** indicated the proposed amendment will not have a cost impact on their organization as they are not engaged in research activities relative to human cloning.

Officials from **Missouri State University** indicated that they do not perceive there to be any fiscal impact on their organization as a result of this proposed constitutional amendment.

**Missouri Southern State University** has determined that the proposed constitutional amendment would not have any fiscal impact on their operations.

**Missouri Western State University** does not anticipate any direct fiscal impact as a result of this initiative petition.

Officials from **Northwest Missouri State University** determined that this measure would have no estimated costs or savings impact on their organization.

**Truman State University** indicated no fiscal impact on their organization.

**Mr. Brad Ketcher of the Ketcher Law Firm, LLC** provided fiscal impact information related to the proposal which is summarized as follows:

## STATE IMPACT

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
GSP Reduction	\$280m	\$403m	\$386m
Loss of Stowers Phase II			
State Tax Revenue	\$10.6m	\$15.3m	\$14.7m
Lose of Stowers Phase II (3.8% of GSP)			
GSP Reduction	\$1.7b	\$2.1b	\$2.5b
10% Chilling Effect on R&D			
TOTAL LOSS OF STATE TAX REVENUE (Phase II + chill)	\$64.6m	\$79.8m	\$95m

## LOCAL GOVT IMPACT

	<u>Annual</u>
KC Loss of Stowers Phase II	\$339k
Personal Income	
KC Loss of Stowers Phase II	\$113k
Earnings Tax	
KC Loss of Personal Income	\$154m
10% Chilling Effect on R&D	
St. Louis Loss of Personal Income	\$331m
10% Chilling Effect on R&D	
Boone Co. Loss of Personal Income	\$20m

The State Auditor's Office did not receive a response from the **Department of Agriculture, Department of Elementary and Secondary Education, the Department of Higher Education, the Department of Mental Health, the Department of Natural Resources, the Department of Corrections, the Department of Labor and Industrial Relations, the Department of Revenue, the Department of Social Services, the Department of Transportation, the Missouri Senate, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, Cape Girardeau 63 School District, Hannibal 60 School District, Rockwood R-VI School District, St. Louis Community College, Harris-Stowe State University, Southeast Missouri State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.**

## Fiscal Note Summary

This proposal could have a significant negative fiscal impact on state and local governmental entities due to its prohibition of certain research activities. However, the total costs to state and local governmental entities are unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (07-19)**

**Subject**

Initiative petition from the Elliot Institute regarding a proposed new chapter to Title XXXVI of the Missouri Revised Statutes relating to abortions. (Received November 6, 2007)

**Date**

November 26, 2007

**Description**

This proposal would add a new chapter to Title XXXVI of the Missouri Revised Statutes. This new chapter provides a definitional section, screening requirements, and civil remedies related to abortions.

The proposal is to be voted on in November, 2008.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office/Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, **Boone County**, **Jackson County**, **St. Louis County**, the **City of Columbia**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Hannibal School District #60**, **Rockwood R-VI School District**, the **University of Missouri**, **St. Louis Community College**.

## Assumptions

Officials from the **Attorney General's Office** indicated the proposal would not directly affect their office. However, they assumed that because this proposal has the potential to be the subject of state and federal litigation, potential costs are unknown.

Officials from the **Department of Economic Development** assume no fiscal or administrative impact from the proposal.

The **Department of Health and Senior Services** indicated no impact as a result of this initiative petition.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this proposal will have no cost to the department.

The **Department of Mental Health** stated the proposal will have no impact on their department.

The **Department of Corrections** indicated no impact on their agency.

The **Department of Labor and Industrial Relations** stated the proposal does not have a fiscal impact on their department.

The **Department of Revenue** indicated the proposal would not have a fiscal impact on their department.

The **Department of Public Safety** indicated there is no fiscal impact for the department.

The **Department of Social Services** indicated the proposal was another version of the initiative petition that seeks to enact the so-called "Prevention of Coerced and Unsafe Abortions Act." In fact, it imposes many new regulations on abortion providers, and in some cases, substitutes the physician's judgment for the women's judgment as to whether or not an abortion is advisable.

Before a physician recommends or performs an abortion, a licensed physician, licensed psychologist, licensed social worker, or licensed registered nurse must evaluate the woman to identify any pressures to consent to the abortion and the presence of any risk factors and inform her and the physician performing the abortion of the results of this evaluation in writing. The evaluation must include a checklist identifying both the positive and negative results of the evaluation for each risk factor. A copy of the evaluation must be retained in the patient's permanent record. The evaluator must provide a written statement to the patient and the physician certifying to the best of the person's knowledge that the patient understands and appreciates the significance of the risk factors discussed and is seeking the abortion without duress or coercion. The patient must be informed of each complication that is associated with each risk factor that was identified.

A physician cannot perform an abortion unless he or she determines that the abortion is "medically advisable" to prevent the imminent death or serious risk of substantial and irreversible impairment of a major bodily function of the pregnant woman or other health risks arising directly from the pregnancy itself. In addition, the physician must ensure that there are no other available options that can lessen the health risks associated with continuing the pregnancy to a degree less than the health risk associated with an induced abortion. It also delays the performing of the abortion by requiring a 48 hour period of "reflection time" for the patient.

It is an act of medical negligence to perform an abortion unless all of the above conditions are met and properly documented. In addition, there are several civil remedies set forth in the petition. Under certain circumstances, a woman can sue the physician who performed the abortion for wrongful death.

The requirements of the proposal will increase the administrative burden on abortion providers. In addition, the criminal and civil penalties could negatively impact the availability of abortions. However, the Department of Social Services pays for so few abortions through the Medicaid program that there will be no substantial fiscal impact to the Department.

Officials from the **Governor's Office/Office of Administration** indicated passage of this proposal should not result in additional costs or savings to their agencies.

The **Department of Conservation** indicated no fiscal impact expected to their agency as a result of proposal.

The **Missouri Senate** indicated there would be no fiscal impact on their agency as a result of the proposal.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2007, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.2 million to publish (an average of \$193,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.



Officials from the **Office of the State Public Defender** indicated this proposal will have no significant impact on their office.

The **City of Columbia** indicated the proposal will not affect Columbia government operations.

The **City of Springfield** indicated the proposal will not have a cost impact (either positive or negative) to the City of Springfield.

Officials from the **Hannibal School District #60** indicated this proposal should not create any costs or savings to the district.

The State Auditor's Office did not receive a response from the **Department of Agriculture, Department of Elementary and Secondary Education, the Department of Higher Education, the Department of Natural Resources, the Missouri House of Representatives, the Office of State Courts Administrator, the Department of Transportation, the State Treasurer's Office, Boone County, Jackson County, St. Louis County, the City of Kansas City, the City of St. Louis, Rockwood R-VI School District, the University of Missouri, St. Louis Community College.**

### **Fiscal Note Summary**

It is estimated this proposal will have no costs or savings to state or local governmental entities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (07-20)**

**Subject**

Initiative petition from Robin Acree regarding an amendment to Chapter 208 of the Missouri Revised Statutes relating to healthcare. (Received November 21, 2007)

**Date**

December 11, 2007

**Description**

This proposal would add four new sections known as the "Missouri Healthcare Restoration Act" to Chapter 208 of the Missouri Revised Statutes.

The proposal is to be voted on in November, 2008.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office/Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, **Adair County**, **Callaway County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, the **City of Springfield**, the **City of Wentzville**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, the **University of Missouri**, **St. Louis Community College**.

## Assumptions

Officials from the **Attorney General's Office** indicated the proposal would not directly affect their office. However, they assumed that because this proposal has the potential to be the subject of state and federal litigation, potential costs are unknown.

Officials from the **Department of Economic Development** assume no direct administrative or fiscal impact from the proposal. They also indicated that the changes could impact the general business climate of Missouri positively or negatively.

Officials from the **Department of Higher Education** indicated that this initiative would have no foreseeable direct fiscal impact on their department. They further indicated that it may have some fiscal impact on Missouri's colleges and universities.

The **Department of Health and Senior Services** indicated annual costs beginning in FY 2010 that are unknown, but greater than \$100,000, for each state and federal funds. The initiative petition expands Medicaid coverage back to the FY 2005 levels, effective August 28, 2009, and expands coverage for low-income workers and families, as well as individuals employed at sheltered workshops, effective August 28, 2011. The FY 2010 expansions would represent a significant increase in Home and Community Based services. Specifically, this would increase Medicaid coverage of individuals from 85 percent to 100 percent of the federal poverty level (FPL). Currently, individuals above 85 percent of FPL can only qualify for Medicaid services through a spenddown. With the proposed change, individuals between 85 percent and 100 percent FPL would qualify with no spenddown, with decreasing spenddowns for individuals above 100 percent. While the FY 2012 expansions related to sheltered workshops will have a less significant effect on these services, expansions related to minimum wage and 200 percent of the FPL may have a substantial effect. The federal minimum wage will be at least \$7.25 per hour by 2009, and the state minimum may be higher (due to CPI increases—see Proposition B, 2006). Currently, 100 percent FPL represents approximately \$5.00 per hour. Further, a single wage earner in a family could make up to 200 percent FPL and still qualify all members of the family for services. Any individual who qualifies for Medicaid services under these expansions who meets level of care requirements would be eligible for services through the department, which potentially could greatly expand staffing needs.

In determining the fiscal impact of this proposal, the Division of Senior and Disability Services (DSDS) has made the following assumptions.

The Department of Social Services will calculate the fiscal impact associated with determining eligibility under the new requirements, the cost of services for the new group of eligible recipients, and the cost of any administrative hearings regarding denial of eligibility.

As the above information was not available to the department during the preparation of their response, DSDS was unable to provide information on the impact on staffing that would be required to address the increased workload. Under current language in HB 10, staff would not be needed to provide initial assessments, but would instead be necessary to address processing of referrals related to assessments, perform quality assurance oversight, while maintaining adult protective services functions. If language currently in HB 10, section 10.695 is removed, DSDS staff would return to its previous functions, including provision of initial assessments. If assessments increased, due the initiative petition, additional staff would be needed.

As of June 30, 2006, caseloads for Division's Social Services Workers average approximately 174 per FTE ((46,428 In-Home + 8,805 Consumer Directed)/318.04). Pursuant to 660.021, RSMo, the Caseload Standards Advisory Committee recommended that caseloads should be no more than a recommended 80 per worker. The division would request additional staff in an effort to reduce average caseloads to at least 100 per Social Service worker.

Additionally, DSDS would assume a decrease in dual-authorized clients that receive funding for services through the department. A freeze has been in place on this program since December 2006. If eligibility is increased from 85 percent to 100 percent, then individuals between 85 percent and 100 percent of FPL would no longer be dual-authorized, and those at higher incomes would qualify with a reduced spenddown (DSDS pays for services only up to the participants spenddown).

Medicare reimbursement is based upon services for acute, short-term episodes of care. There are no services that Medicare provides that are equivalent to Medicaid Home and Community Based Services. DSDS assumes that the language in Section 208.1003 of the proposed initiative petition would have no effect on rates paid for Medicaid services provided by the division.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this proposal will have no cost to the department.

The **Department of Mental Health** indicated that restoring the FY 2006 MO HealthNet eligibility reductions would impact each group as follows:

	General Revenue Funds	Federal Funds	TOTAL
MO HealthNet Eligibility Group			
Medical Assistance for Families	\$700,321	\$1,130,107	\$1,830,428
Permanently & Totally Disabled & Old Age Assistance	\$2,102,113	\$3,392,204	\$5,494,317
Medical Assistance for Workers with Disabilities	\$8,560,382	\$13,813,888	\$22,374,270
Estimate of Shortfall in MO HealthNet	\$2,633,857	\$4,250,245	\$6,884,102

Caseload Growth			
SUBTOTAL	\$13,996,673	\$22,586,444	\$36,583,117
Less Restoration of PTD & OAA in FY 2007 (MRDD cuts over-estimated in FY 2006)	\$(5,531,279)	\$(7,372,343)	\$(12,903,622)
Less Partial Restoration of MAWD Program in FY 2008	\$(1,831,576)	\$(3,016,427)	\$(4,848,003)
TOTAL	\$6,633,818	\$12,197,674	\$18,831,492

The **Department of Corrections** indicated no impact on their agency.

The **Department of Labor and Industrial Relations** stated the proposal has no fiscal impact on their department.

The **Department of Revenue** indicated the proposal would not have a fiscal impact on their department.

The **Department of Public Safety** indicated there is no fiscal impact for the department.

The **Department of Social Services** indicated the proposal would have the following impacts:

Mo HealthNet Division

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
GR	\$0	(Unknown > \$248,204,357)	(Unknown > \$309,745,066)
Federal	\$0	(Unknown > \$416,985,553)	(Unknown > \$514,049,388)
Total	\$0	(Unknown > \$665,189,887)	(Unknown > \$823,794,454)

Division of Legal Services

	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
GR	\$0	\$0	(\$60,457)
Federal	\$0	\$0	(\$48,201)
Total	\$0	\$0	(\$108,658)

Family Support Division

	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
GR	(\$24,030)	\$0	(\$1,322,673)
Federal	(\$24,030)	\$0	(\$1,322,673)
Total	(\$48,060)	\$0	(\$2,645,347)

	<u>Information Technology Services Division</u>		
	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
GR	(\$201,697)	(\$163,530)	\$0
Federal	(\$66,773)	(\$54,720)	\$0
Total	(\$268,470)	(\$218,250)	\$0

Officials from the **Governor's Office/Office of Administration** indicated passage of this proposal should not result in additional costs or savings to their agencies. They did indicate that it will result in a significant statewide budget impact as other programs will be cut to fund provisions of the proposed amendment.

The **Missouri House of Representatives** indicated this initiative petition does not result in a fiscal impact to their agency.

The **Department of Conservation** indicated no fiscal impact would be expected to their agency as a result of proposal.

Officials from the **Office of the State Courts Administrator** indicated the proposed initiative petition should not have a fiscal impact on the judiciary.

The **Missouri Senate** indicated there would be no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2007, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.2 million to publish (an average of \$193,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this proposal will have no significant impact on their office.

Officials from the **State Treasurer's Office** indicated this proposal will not impact their office.

Officials from **Jasper County** indicated passage of this petition would have little effect on them. It could effect the amount of Medicaid reimbursement received by their Health Department. This effect would be dependent upon the number of persons using Health Department provided services under current rules and assumes no further restrictions in rules of eligibility. Jasper County receives about \$30,000 per year in Medicaid reimbursement. This amount varies from year to year. It could increase or decrease depending upon the number of Medicaid recipients using Health Department services. Officials indicated it is impossible to arrive at a dollar amount arising as a result of any changes in current law. They assume that law changes as a result of this petition would have a negligible effect on Jasper County revenues and expenses.

The **City of Jefferson** determined that no fiscal impact is anticipated.

The **City of Wentzville** determined that no additional cost or savings is expected for the city as a result of the proposed changes.

Officials from **Linn State Technical College** indicated that there appears to be no fiscal impact for their organization as a result of this initiative petition.

Officials from **Metropolitan Community College** indicated the amendment would have no direct fiscal impact on their organization.

Officials from the **University of Missouri** indicated that they are unable to estimate the fiscal impact of the initiative petition.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Natural Resources**, the **Department of Transportation**, **Adair County**, **Callaway County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, the **City of Springfield**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **St. Louis Community College**.

### **Fiscal Note Summary**

The exact cost of this proposal to state governmental entities is unknown, but not less than an estimated \$255 million annually. It is estimated the proposal would have little or no costs or savings to local governmental entities.